

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS (FOREIGN OPERATIONS)

I. Export and Investment Assistance

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Export-Import Bank of the United States			
Loan Subsidy	59,322	99,000	26,382
Administrative Expenses	72,614	72,468	75,234
Inspector General	-	990	988
Direct Loans, Negative Subsidy	(26,000)	(50,000)	(45,000)
Total, Export-Import Bank of the United States	105,936	122,458	57,604
Overseas Private Investment Corporation			
Administrative Expenses	42,542	41,851	45,453
Net Offsetting Collections	(252,260)	(223,000)	(225,000)
Credit Subsidy	23,808	20,073	20,035
Net Negative Budget Authority, OPIC	(185,910)	(161,076)	(159,512)
Trade and Development Agency	51,088	50,391	50,300
Total, Export and Investment Assistance	(28,886)	11,773	(51,608)

Export-Import Bank of the United States (Ex-Im)

The FY 2007 request seeks \$26.4 million for loan programs and \$75.2 million for administrative expenses. Such funding, in combination with program budget authority carried over from prior years, will support \$17.5 billion in lending activity.

Ex-Im Bank is the official export credit agency of the United States. The purpose of Ex-Im Bank is to facilitate U.S. exports by providing competitive export financing in situations where U.S. exporters: (1) are facing foreign competition backed by officially supported financing or (2) the private market is unwilling or unable to offer this financing. In either case, Ex-Im Bank financing is predicated on a determination that reasonable assurance of repayment exists. Ex-Im Bank enables U.S. companies — large and small — to turn export opportunities into sales that help to maintain and create U.S. jobs and contribute to a stronger national economy. Ex-Im Bank provides its export credit support through direct loan, loan guarantee, and insurance programs. The Bank actively assists small and medium-sized businesses.

Overseas Private Investment Corporation (OPIC)

In FY 2007 the Overseas Private Investment Corporation (OPIC) will focus its efforts on quality projects that are highly developmental, based on both sector and geographic location. Based on U.S. development and foreign policy priorities, in FY 2006 OPIC will place special emphasis on small business, investments in Africa, the broader Middle East, including Iraq, Mexico and CAFTA countries, and continue to increase private sector cooperation and increase the availability of housing for the developing world.

Private sector investment support provided by OPIC is market driven, and as a result, efficiently aligns government resources with projects that are most likely to drive economic growth. For many countries that have moved beyond basic humanitarian assistance, OPIC is an effective and efficient way to promote private sector growth. OPIC's goal is to generate “additionality” on each transaction it conducts, meaning OPIC is able to add value to every investment it supports.

From its estimated net offsetting collections of \$225 million in FY 2007, OPIC is requesting \$45.5 million for administrative expenses and \$20 million for credit funding. This amount will support over \$1.6 billion in new direct loans and loan guaranties at a gross subsidy rate of about 1 percent.

OPIC is a self-sustaining agency that mobilizes American private investment by providing political risk insurance, project finance, and investment funds products in 153 developing nations and emerging markets around the world.

Trade and Development Agency (TDA)

The Administration is requesting \$50.3 million for USTDA in FY 2007. This request maintains the Agency's ability to spur economic development and advance U.S. commercial interests in developing and middle-income countries.

TDA provides a bridge to U.S. technical know-how and experience for developing and middle-income countries. The focus of the Agency is unique in that it creates public-private partnerships in response to project sponsor needs and priorities. TDA funds help identify and prepare projects for implementation that will establish the infrastructure necessary for economies to expand. At the same time, the Agency's activities develop trade partnerships by enhancing the ability of U.S. firms to conduct business overseas.

The Agency uses various tools to facilitate U.S. business opportunities in the international marketplace. This support comes in the form of technical assistance, feasibility studies, orientation visits, training grants and conferences.

The agency's FY 2007 budget request encompasses USTDA's assistance programs that support key trade and foreign policy objectives of the Administration, including: 1) reconstruction efforts and economic development in Iraq, Afghanistan and other areas of conflict; 2) assistance to the Middle East to enhance democracy-building efforts throughout the region; 3) assistance to implement international transportation safety and security standards; 4) capacity building activities in areas in which the United States has engaged in bilateral and multilateral trade negotiations, particularly countries party to the Central American-Dominican Republic Free Trade Agreement; and 5) economic growth in Africa through activities that promote the development goals of the African Growth and Opportunity Act.

II. Bilateral Economic Assistance

A. United States Agency for International Development

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Child Survival and Health Programs Fund	1,562,400	1,644,350	1,433,000
Development Assistance	1,448,320	1,508,760	1,282,000
International Disaster and Famine Assistance	574,896	417,680	348,800
Transition Initiatives	48,608	39,600	50,000
Development Credit Authority Subsidy - Appropriation	-	-	5,000
Development Credit Authority - Admin. Exp.	7,936	7,920	8,400
Total, Development Credit Authority	7,936	7,920	13,400
USAID Operating Expenses	637,456	623,700	678,826
USAID Capital Investment Fund	58,528	69,300	131,800
USAID Inspector General Operating Expenses	37,220	35,640	38,000
Total, United States Agency for International Development	4,375,364	4,346,950	3,975,826

Overview

Today more than ever, U.S. foreign policy toward the developing world plays a vital role in the global balance between conflict and peace. U.S. national security challenges are increasingly complex, and the role of development is recognized as pivotal. This is reflected in President Bush's National Security Strategy of the United States, issued on September 17, 2002, which for the first time elevated development as the third component of U.S. national security, alongside defense and diplomacy.

The FY 2007 budget request reflects the President's recognition that development makes a vital contribution to enhancing U.S. national security. It acknowledges that foreign assistance supports several goals, including: promoting transformational development, stabilizing fragile states, supporting strategic states, responding to humanitarian needs, and addressing global issues and special concerns. The budget continues an approach to allocating Development Assistance funds to improve the effectiveness of foreign assistance by rewarding countries that are needy and good performers. It also focuses some Development Assistance and Child Survival and Health funds on encouraging stability, security, reform and capacity development in fragile states.

Highlights of the budget include:

- Maintaining our strong support for countries on the front lines in the War on Terrorism, especially Afghanistan, Pakistan, and Sudan, as well as other front-line states in Asia, the Near East, and Africa.
- Supporting the President's initiative to accelerate the fight against malaria, increasing attention to avian influenza – both for surveillance and improving developing countries' ability to cope with an outbreak,

turning the tide against HIV/AIDS, increasing treatment of tuberculosis, while continuing our support for other health priorities.

- Maintaining U.S. leadership role in promoting democracy and good governance in the developing world.
- Rewarding good performers such as Indonesia, Zambia and Guyana - helping them to move toward eligibility for the Millennium Challenge Account by pursuing transformational development.
- Addressing the sources of fragility in certain programs to lay the foundation for lasting long-term country development.
- Growing countries' economies through trade opportunities. Expanding local job opportunities to reduce youth unemployment and susceptibility to criminal and terrorist recruitment.
- Rebuilding USAID's human capacity by addressing a critical deficiency in technical staff and establishing a reconstruction and stabilization reserve.

Child Survival and Health Programs Fund (CSH)

The FY 2007 request of \$1.433 billion for the Child Survival and Health Programs Fund (CSH) reflects the President's continuing commitment to improved health interventions that address critical health, HIV/AIDS, nutrition and family planning needs worldwide. Investing in the health of the world's population, addressing global issues and other special concerns, stabilizing fragile states, and promoting transformational development are all goals supported by funds from this account.

CSH funding supports programs that expand basic health services and strengthen national health systems to significantly improve people's health, especially that of women, children, and other vulnerable populations. A major focus for the use of these funds is in sub-Saharan Africa. As HIV/AIDS, malaria, and other infectious diseases continue to threaten the health of families and children in developing countries worldwide, CSH-funded programs work to eliminate these threats.

- The President's Emergency Plan for AIDS Relief (PEPFAR) focuses on fifteen African, Caribbean and Asian countries. USAID will continue to play a significant role in implementing PEPFAR, which is managed by the Global AIDS Coordinator. Funding for the focus countries is being requested within the Global HIV/AIDS Initiative (GHAI) account. CSH-funded HIV/AIDS programs (\$325 million) will focus on prevention, care, and treatment efforts, and the support of children affected by AIDS in non-focus countries.
- The USAID contribution to the Global Fund to Fight AIDS, TB, and Malaria is \$100 million.
- Other Infectious Diseases (\$382 million) programs concentrate on the prevention and control of malaria, tuberculosis, avian influenza, and programs to combat anti-microbial resistance and disease surveillance. Geographically, the focus is on sub-Saharan Africa, the Caribbean Basin, India, Indonesia and Cambodia. This request includes \$225 million for malaria programs, including \$135 million in new funding to support the President's Malaria Initiative that will be expanded from three to seven high-burden countries in FY 2007. Also included is \$55 million for continuing programs to combat avian influenza pandemic.

- Child Survival and Maternal Health (\$323 million) programs will continue to address the primary causes of maternal and child mortality, and improve health care systems, primarily in sub-Saharan Africa and South Asia. This funding targets key investments such as immunizations, pneumonia and diarrhea prevention and treatment, oral rehydration, polio eradication, micronutrient deficiencies, antenatal care and safe birthing, nutrition, and breastfeeding as a means to reduce the burden of disability and disease.
- Vulnerable Children (\$9 million) funding supports the Displaced Children and Orphans Fund which strengthens the capacity of families and communities to provide care, support, and protection of orphans, street children, and war-affected children.
- Family Planning and Reproductive Health (\$294 million) programs will help expand access to information and services regarding family planning practices. Such access will help reduce unintended pregnancies, improve infant and child health, reduce mortality rates, decrease maternal deaths associated with childbirth, and reduce abortion. These programs are integrated with programs that protect human health.

Development Assistance (DA)

The FY 2007 request of \$1.282 billion for Development Assistance will fund programs to promote transformational development in stable developing countries which are needy and are committed to promoting economic freedom, ruling justly and investing in people. DA funds will also support programs in fragile states that enhance stability and develop key institutional capacities for lasting recovery, as well as global issues and concerns related to sustainable development.

This DA request will promote economic freedom through:

- Agriculture programs and natural resources management, including the President's End Hunger in Africa Initiative (\$47 million), to rebuild agricultural capability in developing countries, reduce hunger, and foster trade and growth.
- Economic growth programs to foster trade-led growth and development, including \$20 million for the Central America Free Trade Agreement (CAFTA), and the Trade for African Development (TRADE) Initiative (\$30 million). Funds will increase trade and investment by strengthening private markets, watershed management, access to clean energy, and environmentally sound urbanization. Funds will also promote economic opportunity for rural and urban poor through support for financial sector development, including micro enterprise and small business development worldwide.

The request will support countries' efforts to govern justly, including support for elections, political party development, rule of law, security, anti-corruption, human rights and conflict prevention, and programs to help prevent trafficking of persons.

Funds will support investing in people, particularly through education and training programs, including basic education programs such as the enhanced African Education Initiative (\$100 million) announced at the 2005 G-8 Summit, and higher education and training programs. An important long-term investment in people, education funds will focus on two broad but complementary objectives: equitable access to quality basic education and increasing knowledge and skills for a productive workforce.

DA funding will continue to be used to support programs that address global climate change, such as the Congo Basin Forest Partnership.

Continued funding for the Global Development Alliance (\$10 million) will mobilize resources by creating alliances between the public and private sectors in support of the Agency's transformational development goal.

International Disaster and Famine Assistance (IDFA)

The FY 2007 request of \$348.8 million will provide funds for the management of humanitarian relief, rehabilitation, and reconstruction assistance to countries struck by natural and man-made disasters, and support for disaster mitigation, prevention, and preparedness. The request funds the purchase of commodities including temporary shelter, blankets, supplementary food, potable water, medical supplies, and agricultural rehabilitation aid, including seeds and hand tools.

Approximately \$163 million of the FY 2007 IDFA funding requested is currently planned to meet humanitarian and post-conflict needs in Sudan. The request also includes \$20 million for famine prevention and relief for contingency needs and support of early intervention to either pre-empt famine or mitigate the impact.

Transition Initiatives (TI)

The FY 2007 request of \$50 million for the Transition Initiatives account will be used by the Office of Transition Initiatives (OTI) to address the opportunities and challenges facing conflict-prone countries and those making the transition from initial crisis stage of a complex emergency (frequently addressed by the Office of Foreign Disaster Assistance using IDFA funds) to the path of sustainable development. OTI collaborates closely with the Department of State, the National Security Council, the Department of Defense, and USAID's regional bureaus in the selection of countries with high foreign policy priority for transition assistance and in the design and monitoring of OTI's programs. OTI's efforts to advance peace and stability include support for demobilization and re-integration of ex-combatants, community self-help programs that reduce tensions and promote grass-roots democratic media, and conflict resolution measures.

Development Credit Authority (DCA)

Credit promotes broad-based economic growth in developing and transitional economies. The Development Credit Authority (DCA) allows USAID to use credit as a flexible development tool for a wide range of development purposes. DCA augments grant assistance by mobilizing private capital in developing countries for sustainable development projects, thereby supporting the capacity of host countries to finance their own development.

The FY 2007 request includes \$21 million in transfer authority to provide loan guarantees in every region and in every sector targeted by USAID. In addition, USAID requests \$5 million in appropriated funds for the Africa Housing and Infrastructure Facility (AHIF), up to \$2 million of which may be used for project development costs. This innovative credit facility will build on USAID's experience with DCA and will support the subsidy costs of partial guarantees for private sector financing of water, infrastructure, and housing projects in Africa. The AHIF also will enhance the effectiveness of USAID's response to Presidential Initiatives such as Water for the Poor.

The request also includes \$8.4 million for credit administrative costs. In accordance with the Federal Credit Reform Act of 1990, this funds the total cost of development, implementation, and financial management of the DCA program, as well as the continued administration of the Agency's legacy credit portfolios which amount to more than \$22 billion.

USAID Operating Expenses (OE)

The FY 2007 request (\$678.8 million) for USAID OE covers administrative costs of managing approximately \$8 billion in program funds. The funding will support management priorities to rebuild human capacity, enhance security and physical infrastructure, and improve information technology systems.

The USAID OE request will help rebuild its human capacity by hiring U.S. direct-hire staff to address critical staffing deficiencies in the technical areas and establish a reconstruction and stabilization reserve. The additional staff will strengthen depleted technical ranks in the areas of health; economic growth and trade; education; and crisis, stabilization and governance, and enhance capacity to support large stabilization and reconstruction programs following conflict and disaster.

Funds requested will enhance security worldwide for USAID operations and physical infrastructure to better protect Agency employees and facilities against global terrorism and national security information against espionage.

These funds will also support information technology (IT) systems, infrastructure and architecture critical to the operational needs of USAID staff.

USAID Capital Investment Fund

The FY 2007 Capital Investment Fund request (\$131.8 million) uses no-year authority to provide USAID with greater flexibility to manage investments in technology and facility construction.

The request provides \$102.5 million for overseas facility construction. This will fund the third year of the Capital Security Cost Sharing Program to support the construction of USAID facilities on new Embassy compounds and the relocation of USAID/Guatemala to a secure interim office building. These funds will support USAID's ability to locate staff in secure work environments.

The remaining \$29.3 million will fund investments in Information Technology for the continued implementation of worldwide accounting and procurement systems, full participation in E-Government initiatives, and infrastructure collaboration and consolidation between the Department of State and USAID.

USAID Inspector General Operating Expenses

The FY 2007 request (\$38 million) for the USAID Office of Inspector General covers salaries, operating expenses, and benefits for staff, and supports critical audit and investigative coverage for USAID.

The OIG assists USAID to implement its strategies, providing staff with information and recommendations to improve program and operational performance. The office also works with USAID to protect and maintain the integrity of the Agency and its programs.

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B. Other Bilateral Economic Assistance

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Economic Support Fund	3,914,592	2,621,025	3,214,470
Assistance for Eastern Europe and the Baltic States	393,427	357,390	273,900
Assistance for the Independent States of the Former Soviet Union	625,520	508,860	441,000
Tsunami Recovery and Reconstruction Fund	656,000	-	-
Total, Other Bilateral Economic Assistance	5,589,539	3,487,275	3,929,370

Economic Support Fund (ESF)

Africa -- \$164.3 million is requested for programs in sub-Saharan Africa. These funds will assist countries to recover from conflict and bring about enduring peace; advance the development of democracy, including support for human rights and rule of law; promote economic stability, sustainable development, and U.S. investment opportunities in Africa; and combat terrorism and other forces that undermine prosperity and stability in the region.

- Sudan -- \$60 million to support implementation of the Comprehensive Peace Agreement to ensure a full transition to a just peace. Funds will be used to provide administrative, technical, legal, and operational support, and help build civil society and strengthen democracy. The ESF will also support development in the areas of agriculture, health, and education, and be used in the reconstruction of roads, bridges, schools, and other infrastructure needs. In addition, funds will be used to support the resolution of conflict and implementation of peace agreements in Darfur and eastern Sudan, as needed.
- Liberia -- \$40 million for the continued reintegration of child soldiers and other former combatants into society, preparations for the country's first-ever local elections, judicial and rule of law programs, education and literacy, customs and tax reform, aviation safety, privatization of Liberia's parastatals and utilities, development of a private sector through micro-credit grants and loan programs, a World Trade Organization (WTO)-compatible trade and investment framework, transparent financial management, and sustainable management of forests, diamonds, fisheries, and other natural resources according to international norms.
- A total of \$15.5 million for countries where we continue to work to resolve long-running conflicts or instability as well as provide support to achieve successful post-conflict domestic transitions. Included are Angola, Burundi, the Democratic Republic of Congo, Sierra Leone, and Zimbabwe. Funding will support rebuilding basic infrastructure; the resettlement and reintegration of former combatants, displaced persons and returnees; conflict mitigation projects; economic reform; and programs to promote democracy and good governance.
- A total of \$20.5 million for other key regional countries (Djibouti, Ethiopia, Kenya, Nigeria, and South Africa) to support economic growth, democratization, anti-crime, and anti-corruption activities. ESF also will be used to help countries play an effective role in combating terrorism through cooperation in key areas like judicial system reform, and anti-terrorism training related to border control and the freezing of terrorist assets. Other programs will strengthen the role of civil society, help professionalize electoral structures and foster true multi-party democracy, enhance trade and private sector development, and promote human rights.
- A total of \$12 million is requested for three regional programs: the Africa Regional Fund; Safe Skies for Africa (SSFA); and Regional Organizations. Programs implemented under the Africa Regional Fund will support democratic development, strengthen the rule of law, advance economic reforms,

promote trade and investment, aid judicial reform and the development of civil society, improve administration of borders, assist in drafting counter-terrorism legislation, combat money laundering, and support African efforts to manage its environment and natural resources. Through the SSFA program, funds will continue to enhance airport security in order to promote U.S. investment opportunities and combat international crime and terrorism. Finally, assistance will be provided to strengthen the capabilities of regional organizations in Africa, including but not limited to the Economic Community of West African States, the Southern African Development Community, and the Intergovernmental Authority on Development.

- African Union (AU) -- \$3 million to strengthen the AU's efforts to play an increasingly significant leadership role in addressing the debilitating and harmful effects of conflict in Africa, as well as exercise leadership in developing mechanisms that advance the spread of good governance and economic growth. ESF will be used for both capacity and institution building in regional stabilization efforts, including mediation, conflict management, coordination with sub-regional organizations in peace and stability operations, electoral assistance programs and assistance to countries in addressing shortfalls noted during their voluntary participation in the AU/New Partnership for Africa's Development (NEPAD) African Peer Review process. ESF will also be used to focus on programs that address major human rights abuses and post-conflict efforts at justice and reconciliation, support for the AU counter-terrorism training and study center in Algiers, and support for an AU Democracy Institute -- a center for training, study, review and improvement of the state of democracy in Africa.
- Trans-Sahara Counter-Terrorism Initiative -- \$6 million to expand engagement in the Sahel and across the Sahara, using civilian programs to further strengthen border control and rapid response capabilities, as well as foster development among six important countries in the region (Mali, Niger, Chad, Senegal, Nigeria, and Mauritania), all of which are critically important to the suppression of potential terrorists activities. ESF will be used to support projects aimed at strengthening civil authority and legitimate economic activity in the Sahel, and to encourage increased cross-border contact and cooperation east/west across the Sahel and north/south between the Maghreb and the Sahel countries (e.g., drawing together leaders to focus on conflict resolution, expanding rural radio as an avenue for better communications to pass common messages, parallel work in Chad and Niger helping newly elected local officials, and efforts to attack health and education issues common to the region).
- Women's Justice and Empowerment Initiative -- \$7.3 million to support programs for this Presidential initiative to combat sexual violence against women in Africa through projects designed to increase awareness of violence against women and the need to empower women to prevent violence and to achieve justice through the legal system. Program components will also strengthen the capacity of the legal system to protect women and punish perpetrators of violence, as well as to address the physical and mental needs of victims of violence.

East Asia and the Pacific -- \$167.3 million is requested to continue key bilateral and regional programs that support democracy and good governance, improve and expand education access, stimulate economic growth and development, strengthen civil society and women's empowerment, and bolster local security and counter-terrorism initiatives. Regional programs will foster cooperative solutions to transnational problems, enhance U.S. influence in regional institutions, and underscore broad U.S. engagement in the region.

- Indonesia - \$80 million will strengthen counter-terrorist initiatives such as preventing financial crimes and anti-money laundering; improve the quality of basic education for Indonesia's children in support of the President's initiative; promote good governance, democracy and human rights; promote economic growth and prosperity; and continue conflict mitigation and resolution efforts, including support for Aceh peace accord implementation.
- Philippines - \$20 million will continue ongoing programs devoted to economic growth and reforms, good governance, and poverty alleviation as well as attacking pervasive corruption. Approximately

sixty percent of the total will support programs in Mindanao, including education, aimed at consolidating peace and reducing the area's attractiveness to terrorist organizations.

- Cambodia - \$13.5 million will support improving political and economic governance and building the capacity of human rights monitoring organizations. Other objectives include promoting judicial reform, combating trafficking in persons, strengthening natural resource and economic management, and funding research and documentation of crimes of the Khmer Rouge as a resource for the tribunal to try senior Khmer Rouge leaders.
- Vietnam and Laos - \$1.5 million will support economic development programs in Vietnam's Central Highlands region and promote economic and judicial reform in Laos.
- East Timor - \$13.5 million will support the private sector led growth of East Timor's economy through the promotion of trade and the provision of micro-credit; help establish a stable and mature democratic polity; and support a modest program to develop capacity in the health care system and decrease high morbidity and mortality rates.
- Mongolia - \$7.5 million will help accelerate and broaden private sector-led economic growth and promote effective and accountable governance in Mongolia.
- Burma - \$7 million will fund democracy promotion and capacity-building activities, as well as efforts of non-governmental organizations (NGOs) to combat the spread of HIV/AIDS and provide critical aid to the growing number of displaced persons and trafficking victims.
- The U.S. will provide \$18 million to the Pacific Island states under an international agreement associated with the 1987 South Pacific Multilateral Fisheries Treaty.
- EAP Regional Programs - \$6.3 million will help sustain regional projects that support over-arching U.S. objectives in the region. The Association of Southeast Asian Nations (ASEAN) fund will support implementation of the Joint Vision Statement on the ASEAN - U.S. Enhanced Partnership, announced by the President and ASEAN leaders when they met in November 2005. The Enhanced Partnership will build on the ASEAN Cooperation Plan programs in areas such as trade facilitation, intellectual property right protection, and regional capacity building on transnational issues, including international health and the environment. The Developing Asian Institutions Fund will promote U.S. strategic interests, advance regional cooperation and strengthen regional organizations in which the U.S. participates such as Asia Pacific Economic Cooperation (APEC) and the ASEAN Regional Forum (ARF). Regional Women's Issues will help empower women financially and politically, with a special focus on those countries where women are vulnerable to exploitation. Finally, the Pacific Islands fund will support small, high impact grant programs in conservation, development, health promotion, and good governance in twelve Pacific Island states.

Europe and Eurasia -- \$19.5 million is requested for programs that promote peace and reconciliation and contribute to the stability of the region.

- Cyprus - \$15 million will support the peace process and eventual reunification of the island by increasing bicomunal efforts to build support for solution after the failure of the United Nations settlement plan in referenda in April 2004. The funding will also continue to support activities to strengthen the Turkish Cypriot economy and economic integration of the island.
- Irish Visa Program - \$3.5 million underwrites the continuation of the Walsh Visa Program to bring unemployed young men and women from Northern Ireland and the six border counties to the United States for employment and job training.
- OSCE Regional - \$1 million will support regional activities of the Organization for Security and Cooperation in Europe (OSCE), including post-conflict and election-related activities, as well as high-priority projects to promote human rights, democratization, counterterrorism, rule of law, economic development, and environmental protection. These funds will help maintain U.S. influence and involvement in OSCE activities.

Near East -- \$1.64 billion is requested to support regional stability in the Middle East, encourage development, and encourage a comprehensive peace between Israel and its neighbors; to promote political, economic, and educational reform throughout the region; and to combat the roots of terrorism by targeting the economic despair and lack of opportunity that are exploited by extremists.

- Egypt - \$455 million in accordance with the ESF phase-down plans. Funds will support economic reform, specifically reforms in the financial sector, as well as various projects in democracy and governance, health, education, private sector development, environment and infrastructure.
- Iraq - \$478.8 million to build on the success of the Iraq Relief and Reconstruction Fund and further support Iraq's reconstruction and transition to self reliance. The ESF will continue to sustain key Iraqi infrastructure; fund programs which focus on political and economic governance, the strengthening of democracy and civil society, private sector and agricultural development, and ensure the rule of law; and provide support for the Regional Crimes Liaison Office.
- Israel - \$120 million in accordance with ESF phase-down plans. Funds will support economic and political stability, promote market-oriented economic reform and service foreign debt.
- Jordan - \$245 million to help achieve sustainable economic growth that should result in a permanent increase in living standards. The ESF will strengthen water resource management, provide budget support to the government, promote economic growth, and support democratization and judicial reform, education advancement, and critical healthcare reforms.
- The Middle East Partnership Initiative (MEPI) - \$120 million to support democracy in the Middle East by encouraging political, economic and educational reform and the empowerment of women. Funds will capitalize on new opportunities, consolidate recent gains, and develop new openings for freedom and democracy by empowering indigenous non-governmental and civil society organizations to continue leading the democratic transformation process in the region. Funds will support the President's commitments to the Broader Middle East and North Africa (BMENA) initiative, including the Foundation and Fund for the Future.
- Lebanon - \$35.5 million to improve the living standards through economic revitalization and expanded economic opportunities for small businesses; increase support for good governance programs working at the local and national level; and improve water and wastewater management.
- Morocco - \$18 million to provide micro-credit facilities and employment opportunities for the urban poor; loan programs for housing and home improvements; basic health and education; and rural-based programs that will help arrest migration into already overcrowded urban areas.
- The West Bank and Gaza - \$150 million to promote democratic reform, rule of law, and economic revitalization—vital components of future Palestinian statehood and sustainable peace. Funds will target six strategic priorities: private sector development, water resources, democracy and governance, health, community services and higher education. In light of recent legislative elections, the Administration is reviewing the West Bank/Gaza program details.
- Yemen - \$12 million to fund development projects focused on health services, basic education, women's literacy, and economic opportunities in remote governorates of Yemen that have served as a refuge for al-Qaeda elements and a source of tribal instability.
- \$6 million to foster mutually beneficial technical cooperation between experts from Israel and its Arab neighbors under two complementary regional programs: the Middle East Multilaterals and the Middle East Regional Cooperation program.

South Asia: \$982.5 million is requested to help stabilize this critical region through economic reconstruction and development, earthquake reconstruction, demobilization, democracy building, education, training, and public diplomacy programs.

- Afghanistan: \$610 million to bolster progress toward stability, prosperity and democracy. The funds will be used to strengthen nascent democratic institutions; complete secondary roads and other critical

infrastructure, including power generation and transmission; provide the central government with the essential tools to deliver basic services, pay salaries and extend its authority to the provinces; continue funding for provincial reconstruction team (PRT) projects to extend reconstruction into difficult areas; support alternative livelihoods in rural areas to reduce poppy cultivation; and assist Afghan women and girls.

- Pakistan: \$350 million, including \$200 million in budget support, to be monitored by the Shared Objectives Process and \$100 million for social sector programs such as education reform, expansion of basic health services for women and children, accountable and participatory democratic governance, and expansion of economic opportunities. An additional \$50 million supports the U.S. pledge at the November 19th donors' conference for earthquake reconstruction projects.
- Bangladesh: \$5 million to strengthen anti-corruption efforts, support political party and parliamentary reform, and improve Central Bank controls.
- India: \$6.5 million to support deficit reduction, financial markets reform and urban infrastructure; to develop infrastructure and growth for clean energy and water through our Cabinet-level Energy Dialogue; and to support an education and opportunity program that brings child laborers into the education system. ESF-funded activities are closely tied to the main components underlying the transformation of the US-India relationship in 2005, including a focus on growth, prosperity, and knowledge-based initiatives.
- Nepal: \$5 million to fund rural infrastructure projects, credit programs, literacy and numeracy training, anticorruption activities, and justice sector reform programs in areas vulnerable to Maoist control.
- Sri Lanka: \$4 million to bolster the peace process in Sri Lanka through democracy and governance programs; support a small-grants fund that fosters peace building and reconciliation efforts among diverse groups; and promote jobs and provide job training for unemployed youth, including ex-combatants.
- The South Asia Regional Program: \$2 million to address the root causes of extremism through cross-border and innovative pilot programs for education, democracy, economic development, and conflict mitigation projects.

Western Hemisphere – \$152.1 million to promote the Administration's objectives in the Western Hemisphere to bolster security, strengthen democratic institutions, promote prosperity, and invest in people. This request is based on a larger hemispheric commitment, defined through the Summit of the Americas process. Our Summit commitment is to democracy, free markets, economic integration, and a common policy agenda with the aim of providing the benefits of democracy to the peoples of the hemisphere. The programmatic focus will continue to be democracy (including anti-corruption), trade-led economic growth, and the fight against organized crime and terrorism.

- Haiti: \$50 million is requested for continued support to help new Haitian authorities (a President and Parliament expected to be elected and government designated in the first half of FY 2006) to consolidate democratic gains and support long-term stability and development. ESF will provide assistance to key ministries, newly elected legislators and local government officials. Anti-corruption programs will promote systems for transparency, accountability and responsiveness; assistance also will strengthen the justice sector and civil society organizations. Other activities will generate short-term employment opportunities and incomes for vulnerable populations, expand access to credit for small and micro-entrepreneurs, and support the government's efforts to provide an enabling environment for private sector growth and long-term job creation.
- Central America (El Salvador, Guatemala, Nicaragua), Dominican Republic, and Mexico: \$47 million will be used to create a more secure and prosperous region with expanded economic opportunities for all citizens. Funds will be used to support the implementation of free trade regimes in Central America and the Dominican Republic, thereby increasing opportunities for rural agriculture and new manufacturing ventures, as well as tourism. Funds will also support the creation of transparent

government agencies and officials, buttress USG anti-corruption programs, facilitate justice sector reforms, and address critical needs in combating crime. In Mexico, we will fund programs to continue advancements in higher education and educational scholarship and exchanges, especially for the disadvantaged and indigenous. Specifically, funding will target accountability in policy making and implementation, more effective oversight of public resource use, and U.S.-Mexico border legislative dialogue. Funding for Nicaragua will support government efforts to protect democratic gains with elections scheduled for the first quarter of FY 2007. We plan to fund two expanded democracy programs in Nicaragua that include establishing a durable capacity within the Supreme Electoral Council (CSE) to carry out free, fair, and credible elections, and implementing democratic reforms within political parties.

- Cuba: \$9 million is requested to further implement the program recommendations of the Commission for Assistance to a Free Cuba. Funds will be used to help Cuba's civil society move towards a rapid transition to democracy and market economy and would support USG human rights objectives. In addition to assistance to Cuba's embattled human rights activists and independent journalists, we will reach out to courageous Afro-Cuban, women, youth, and student activists.
- South America (Bolivia, Ecuador, Paraguay, Peru, Venezuela): \$19.5 million to consolidate democratic gains and to address deep-seated economic and social problems in the Andean region and in Paraguay. In Venezuela, and as needed in Bolivia, U.S. funds will support efforts to protect and strengthen civil society, independent media, human rights organizations and democratic political parties. Funds will be used to reform the justice sector, strengthen democratic institutions, promote the rule of law, and make sub-national government practices more effective through improved transparency and accountability. Additionally, funding will facilitate expansion and implementation of free trade agreements, and will be used to fight corruption and promote respect for human rights.
- Third Border Initiative (TBI): \$3 million will be used to enhance coordination between the USG and the Caribbean, our "Third Border," and to carry out any commitments made during the Secretary's second quarter FY 2006 ministerial with CARICOM. TBI programs enhance the security of visiting Americans, fortify the region's security infrastructure, increase disaster warning and preparedness capabilities, build a solid foundation for open trade, tourism, and investment, and help to strengthen U.S. homeland security.
- WHA Regional Programs: \$23.6 million is requested for regional activities. U.S. anti-corruption funding will support the implementation of recommendations from the Organization of American States' (OAS) Follow-Up Mechanism to the Inter-American Convention Against Corruption; mobilize private-sector actors and chambers of commerce to create and adopt "Ethics Pacts;" and expand and strengthen a network of government ethics offices and anti-corruption commissions or ombudsmen. Summit of the Americas funding will continue implementation of Presidential Summit initiatives and commitments. Trade Capacity Building funds will contribute to the effective implementation of the Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) and other trade agreements, which will enhance the labor and environmental conditions in partner countries, as well as the security and economy of the United States.

Global – A total of \$88.5 million is requested to promote democracy and universal human rights; to promote environmental stewardship and advance U.S. interests in this area; to bring together individuals of different ethnic, religious, and political backgrounds from areas of civil conflict and war; and to prevent the trafficking in persons and protect the victims of trafficking.

- Asia-Pacific Partnership - The United States, China, India, Korea, Australia, and Japan launched the Asia-Pacific Partnership in 2006 to promote clean development, enhance energy security, and address climate change. This initiative will advance U.S. leadership on the interrelated issues of energy and climate through public-private collaboration. Partners will work to deploy cleaner energy technologies and practices in developing countries that are among the largest global emitters of greenhouse gases.

\$26 million in ESF will support projects such as: rural village deployment of cleaner energy technologies, thermal power plant operational and emission improvements, hydro and other renewable energy power promotion, mining and industrial process efficiency and emission improvements, and civil aviation and public transportation efficiency improvements.

- Human Rights and Democracy Fund (HRDF) - \$35 million for the promotion of democracy, human rights, and civil society in countries of strategic importance to the U.S., including struggling or nascent democracies and authoritarian regimes. Through the HRDF, the Department of State will continue to encourage democratic development and uphold international standards of human rights, two critical US foreign policy objectives. These challenges will be addressed by funding programs that promote democratic reform and result in greater political pluralism and respect for fundamental freedoms in countries with significant Muslim populations; and that promote the protection and enforcement of legal rights and an independent judiciary, increase popular participation in government, and develop civil society in China. The HRDF also will be used to support programs around the world that include political party building, promote independent media and workers' rights, and support civil society and democratic institutions. Projects will provide assistance to marginalized groups, including ethnic minorities, women, and youth.
- Oceans, Environmental and Science Initiative (OESI) - \$8 million to promote cooperation and build global capacity in issues as diverse as oceans and fisheries, environment, science, technology, and health. Efforts under this initiative are not only important to improving global environmental conditions, they are key to supporting a full range of US foreign policy objectives, contributing to economic prosperity and regional stability, and providing a vital diplomatic tool for projecting American values. ESF funding in FY 2007 is focused in two key areas. First, \$6 million will go toward climate change and energy activities, including activities under the Methane-to-Markets Partnership. The second area of focus is OESI's traditional thematic and regional program activities, including oceans and fisheries, environmental cooperation to support free trade agreements, science education with a focus on Muslim countries, natural resource conservation, water and health, capacity-building for sustainable development and good environmental governance, activities in high priority countries, and regional cooperation.
- Reconciliation Programs - \$11 million to support conflict response and mitigation through programs that seek to reduce the threat of violence through the peaceful resolution of differences, mitigate violence when it has broken out, or establish a framework for peace and reconciliation; and to support conflict management through programs that address the causes, and consequences of existing or likely conflict, but are implemented within a more traditional development sector such as democracy and governance or economic growth.
- Trafficking in Persons - \$8.5 million to support efforts to combat trafficking in persons that focus on prevention and the protection of victims. These efforts will include victim assistance and rehabilitation/reintegration, as well as prevention and public awareness campaigns and educational programs targeted at potential victims and especially at potential sexual exploiters who create the demand for trafficked victims. Funds will also support regional and sub-regional coordination on anti-trafficking efforts, and coordination between source and destination countries.

Assistance for Eastern Europe and the Baltic States (SEED)

U.S. assistance will continue to close the circle of violence that plagued Southeast Europe in the 1990s by focusing on integrating Southeast Europe into the Euro-Atlantic community with its values of democracy, rule of law, and individual freedom. The governments of the region are committed to European integration; some are further along than others. These fragile democracies and struggling market economies still benefit from U.S. support. Promoting democratic reform and stability, economic development, and rule of law will help move them more rapidly to membership in the European Union and deepen their relationship with

NATO. The FY 2007 \$273.9 million request will support programs that fight international crime, trafficking, and corruption; build socio-economic bridges between ethnic communities; and consolidate the region's democratic and economic progress.

Specific country requests are explained below:

- *Albania (\$20 million)* - Albania faces daunting economic challenges and pervasive crime and corruption. Nevertheless, this predominately Muslim country continues to be a staunch U.S. ally, contributing to Operation Enduring Freedom and Operation Iraqi Freedom. FY 2007 funding for Albania will focus on building democratic institutions and promoting private-sector-led growth in an economy that desperately needs legitimate business activity. Assistance will also build Albania's capacity in health sector reform and fight trafficking, organized crime, and corruption.
- *Bosnia and Herzegovina (\$31 million)* - Bosnia and Herzegovina continues to require significant assistance as it gains greater autonomy from the international community. Bosnians will take on greater responsibility in 2006, expanding their ownership of economic, democratic, social, and judicial reforms and institutions. SEED assistance will continue to help develop key state-level institutions, civil society organizations, and viable municipal-government structures as Bosnia transitions to autonomous self-government. SEED-funded programs will focus on creating for the Catholic, Muslim, and Orthodox communities a single economic space with a strong private sector, an investor-friendly climate, and a sound financial and business regulatory environment; developing a fair and efficient judicial system; and providing training to develop local capacities. SEED programs will also expedite development of state institutions that can cope with fighting organized crime, trafficking, and terrorism, and put Bosnia firmly on the path to Euro-Atlantic integration.
- *Kosovo (\$79 million)* - FY 2007 will be critical for Kosovo, as its final status process has begun. FY 2007 funds will help Kosovo build capacity to adjust to the significant challenge of self-governance as the international community continues to hand over nearly all aspects of governance to Kosovar institutions. Regardless of the outcome of status negotiations, the United States will need to continue its key assistance programs, including improving the performance of Kosovo's ministries; developing the judicial and law enforcement system; supporting local government, media, and civil society groups; driving growth through economic policy reform and support to key industries in Kosovo; and encouraging a multiethnic Kosovo by strengthening communities that embrace tolerance. The U.S. will also continue to support an international police presence to provide interim security while local capacity is being developed.
- *Macedonia (\$27 million)* – Stability and security in Macedonia have improved dramatically since the ethnic conflict in 2001 between Muslim Albanians and Orthodox Macedonians. The Ohrid Framework Agreement that ended the conflict set a standard for the region. Continued, sustained assistance is needed to ensure the Agreement's full, practical implementation. With improvements in stability, the emphasis of U.S. assistance is to further enhance the government's ability to combat cross-border crime, strengthen rule of law, and advance macroeconomic reforms to secure Macedonia's future on the path of Euro-Atlantic integration. The EU announced in late 2005 that Macedonia is now a candidate country for enlargement, but did not name a target date. Negotiations on EU accession will not get underway until reforms produce irreversible results.
- *Serbia and Montenegro (\$62 million Serbia; \$8.5 million Montenegro)* - Serbia and Montenegro (SaM) remains the linchpin of the Balkans: maintaining a robust assistance program there is fundamental to the success of U.S. foreign policy in the region. Assistance to SaM is focused on accelerating SaM's progress toward Euro-Atlantic integration. SEED funds help SaM's fragile reformist leadership keep

political and economic reform on track. Major work remains in the areas of rule of law, privatization, economic growth, law enforcement, and building democracy – all are crucial to stabilizing SaM and making it a positive player in the region. SEED programs increasingly target youth and small and medium enterprise development, to ensure that a broad range of citizens directly receive the benefits of U.S. assistance. These programs are critical to helping ease the transition that will occur as a result of the final determination of Kosovo's status.

- *Regional SEED (\$17.9 million)* - Regional SEED funds help restore the ties among Southeast European countries that were broken by the wars of the 1990s. U.S. assistance is helping reduce barriers to trade, harmonize financial laws and practices, link industrial and business sectors between countries, and develop a common electricity and natural gas market for Southeast Europe that will eventually link to the EU. U.S. assistance also supports Balkan-wide grants programs designed to consolidate democratic reform and build ties between communities torn by war; programs develop history workbooks for secondary schools, enable local NGOs to work on a regional basis, and help countries work on common problems like trafficking in persons, organized crime, and corruption. U.S. funding for the Southeast Europe Cooperation Initiative (SECI) Transborder Crime Center in Bucharest, Romania, supports operational coordination between U.S. and Balkan Customs and Police representatives. Regional SEED funds also cover Congressional directives in the fields of health and HIV/AIDS, and advanced research and language training opportunities for U.S. scholars studying Southeast Europe under the Program for Research and Training on Eastern Europe and the Independent States of the Former Soviet Union (Title VIII).
- *Regional SEED - OSCE (\$28.5 million)* - The SEED regional account also funds U.S. voluntary contributions toward the costs of maintaining Organization for Security and Cooperation in Europe (OSCE) field missions in Southeast Europe. OSCE field missions undertake high-priority responsibilities in conflict prevention and post-conflict democratization and stabilization. Funds are also used to pay the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights. In addition, these funds support the U.S. Contributions to the Office of the High Representative (OHR) in Bosnia and Herzegovina and security costs for high-ranking U.S. citizen officials at the OHR and OSCE field mission in Sarajevo.

Assistance for the Independent States of the Former Soviet Union (FREEDOM Support Act, or FSA)

The past year witnessed the consolidation of reformist democratic forces in Georgia, the consolidation and then fracturing of reformists in Ukraine, and the Kyrgyz Republic's on-going struggle to consolidate the gains from its "Tulip Revolution." Meanwhile, Russia moved to further restrict democratic freedoms, and Uzbekistan undertook moves consistent with a realignment towards Russia, including the signing of a treaty committing Russia and Uzbekistan to mutual self defense. While much work remains to expand to the rest of the economy the benefits of petroleum-driven high growth rates in Russia and Kazakhstan, the need for further U.S. Government economic reform assistance there is limited. FY 2006 was the last year of funding for economic reform programs in Russia, with the exception of limited assistance in geographically defined areas of special importance. If current assumptions hold, funding for economic reform in Ukraine and Kazakhstan will phase out in FY 2009. FSA assistance will be reduced and/or reallocated as the process unfolds. Georgia's and Armenia's reform efforts are now backed by Millennium Challenge Corporation (MCC) Compacts. Ukraine, Moldova, and the Kyrgyz Republic were recently recognized with MCC Threshold status. FSA assistance will help to leverage the MCA funds to sustain reform efforts in these countries.

Many of the serious challenges that confronted the region in FY 2006 remain. Weak democratic institutions and a lack of economic opportunity in Central Asia are creating conditions where corruption is endemic and Islamic extremism can thrive. A flood of cheap heroin from Afghanistan continues to transit Central Asia, the Caucasus, and Russia, leaving behind a destructive legacy of police corruption, drug addiction, and the spread of HIV/AIDS. In far too many Eurasian states, an all-powerful executive restricts civil and political rights, and rule of law is either weak or nonexistent. This year has seen backsliding in progress toward democracy and human rights in Russia and Central Asia. Health and education-related indicators (life expectancy, child mortality, secondary school enrollment, etc.) continue to deteriorate throughout the region, calling into question these countries' ability to sustain economic growth. U.S. assistance is expected to be needed to address these challenges for several years to come.

Specific country requests are explained below:

- *Armenia (\$50 million)* - One of Eurasia's leading performers in economic and political reform, Armenia was recently approved to sign an MCC Compact. Despite the gains produced by economic reforms, however, poverty remains widespread in Armenia. The key now is effective implementation of reform measures, particularly in fighting corruption. Recent problems in the constitutional referendum process highlight the continuing need for democracy assistance. FY 2007 assistance will support efforts to increase stability in order to facilitate the settlement of regional conflicts, encourage free and fair parliamentary and presidential elections in 2007 and 2008, fight corruption, encourage government accountability and independent media, and reduce poverty, particularly through agricultural reform.
- *Azerbaijan (\$28 million)* - As a moderate Muslim country providing key assistance in the Global War on Terrorism and Operation Iraqi Freedom, the Caspian Sea littoral state of Azerbaijan is strategically significant. Recent problems with parliamentary elections and the agreement to re-run some contested seats highlight both the need for continued reform and the possibilities for progress in Azerbaijan. U.S. assistance will support the reform of economic institutions, encourage economic diversification, promote transparency and effectiveness in budget management, and support private enterprise development. Programs will encourage democratization and the development of civil society, improve border security and law enforcement capabilities, and fight corruption and trafficking in persons.
- *Belarus (\$10 million)* - Belarus is out of step with its European Union (EU) neighbors and progress toward Euro-Atlantic integration made by Ukraine and Moldova. So long as President Lukashenko remains in power, there is little hope for genuine political or economic reform and very limited official receptivity to foreign assistance. A main focus of U.S. assistance will continue to be support for democratization. Depending on the outcome of the March 2006 presidential election, the thrust of FY 2007 assistance will be either on cementing democratic gains and facilitating economic reform or alternatively on building civil society as a catalyst for democratic change, expanding access to independent information, including through broadcasting from outside the country, and strengthening democratic political parties. U.S. civil society assistance will maintain a lifeline for NGO activists and extend support for small business associations and NGOs that address trafficking in persons, HIV/AIDS, and Chernobyl relief.
- *Georgia (\$58 million)* - The dramatic Rose Revolution of 2004 initiated the establishment of democratic institutions and the rule of law that now serve as an example for the region. Even so, significant challenges remain, including the need to increase engagement between Georgia and the separatist regions of South Ossetia and Abkhazia, decrease Georgia's energy dependence on Russia, and consolidate improvements in democracy and governance. The MCC is set to provide \$295 million to fund major infrastructure and economic development projects beginning in 2006. These efforts will

be supported by FSA assistance that will promote increased interaction between Georgians and the Abkhaz and South Ossetians, encourage democratic institution building and judicial reform, strengthen local government, improve border security, and support reform in the energy sector.

- *Kazakhstan (\$19 million)* - Kazakhstan's economy enjoys continued strong growth, focused narrowly on the petroleum sector. A draft cost-sharing agreement with the Government of Kazakhstan (GOK) on diversified private sector development is expected to result in the GOK making direct contributions toward the cost of technical assistance. An important focus will be on developing small and medium-sized enterprises in the poorest areas of southern Kazakhstan. Democracy remains a key area of assistance in the aftermath of last year's flawed presidential election, which underscored the need for electoral reform as well as improvements in the environment for independent media and NGOs. Assistance programs also address narcotics trafficking, border security, and health.
- *Kyrgyz Republic (\$32 million)* – Following the Kyrgyz Republic's democratic breakthrough in 2005, this moderate Muslim country continues to be a key partner in Operation Enduring Freedom through its provision of an air base for U.S. forces. Working in tandem with the newly approved MCC Threshold program for the Kyrgyz Republic, FSA assistance will work to improve democratic institutions and address corruption, economic development, and social issues that could put democratic progress at risk. FSA assistance will also help secure Kyrgyz borders and fight the growing drug trade from Afghanistan and the related scourges of corruption, addiction, and infectious diseases.
- *Moldova (\$16 million)*--The current government has begun to reverse earlier missteps limiting private sector economic activity and has reaffirmed its European orientation. Moldova has been selected for the MCC Threshold program, which will focus largely on fighting corruption. FSA assistance will focus on assisting Moldova to meet EU standards and accelerate its integration into EU-oriented regional structures of Southeastern Europe as a means of anchoring Moldova's reforms. Moldova is the poorest country in Europe, and broadening the benefits of its recent economic growth is necessary to ensure that it continues to move towards Europe. FSA assistance will be directed towards job creation programs and promoting the rule of law, with an emphasis on combating corruption and trafficking in persons.
- *Russia (\$58 million)* – Continued negative trends in the state of democracy and human rights in Russia will require greater attention in FY 2007. With legislative elections expected late in 2007 and presidential elections expected early in 2008, support for democratic development – NGOs, judicial reform, independent media, election monitoring – will intensify. HIV/AIDS, tuberculosis and other health programs, and programs that fight trafficking in persons play a vital role in combating these scourges in Russia. Limited economic reform programs will continue in the Russian Far East, the North Caucasus, and in cities where U.S. funded non-proliferation programs are present.
- *Tajikistan (\$22 million)* – Tajikistan has a moderate Muslim population and is a key frontline supporter of OEF. Tajikistan's poverty and location in the region make it one of our most important venues for countering extremism. Presidential elections in November 2006 will provide a further opportunity for development of civil society. Much remains to be done to reform the economy, develop natural resources, fight infectious diseases, and improve education. Helping Tajikistan stem the increasing drug flow from Afghanistan and achieve effective control of the Tajik-Afghan border will continue to be a priority.
- *Turkmenistan (\$5 million)* - Given Turkmenistan's strategic location bordering Afghanistan and Iran, and its substantial natural gas reserves, our main interest is to promote civil society and human rights – including religious freedom – and to ensure that it does not become a failed state. U.S. assistance

provides vital support to significant U.S. security interests, helps sustain the country's few active civil society organizations, and makes a difference in improving health and providing some of the only outside educational opportunities for Turkmenistan's population. In addition, our FSA funding directly supports human rights advocacy, and is the critical lifeline for groups and individuals pursuing these goals.

- *Ukraine (\$85 million)* – Ukraine remains a strategically important country and was at one point one of the largest coalition partners in OIF. Success of democratic reform in Ukraine will be a leading indicator of prospects for the region. The focus of U.S. assistance in FY 2007 will be on helping consolidate democratic progress since the Orange Revolution and facilitating necessary economic reforms prior to the phase-out of economic sector assistance. In FY 2007, the U.S. plans to spend at least \$20 million toward the U.S. pledge for the construction of a shelter over the Chornobyl nuclear site. Given Ukraine's still-fragile democracy, U.S. assistance efforts will continue to focus on support for civil society, rule of law, and combating corruption. Ukraine was selected for an MCC Threshold program, which is expected to focus on governance and anti-corruption reforms.
- *Uzbekistan (\$15 million)* - The Government of Uzbekistan perceived the democratic breakthroughs in Georgia, Ukraine, and the Kyrgyz Republic as threats to its hold on power, and reacted by cracking down on civil society and public demonstrations – violently in the case of Andijon. It also terminated an agreement that allowed U.S. forces to use an airbase for operations in Afghanistan. Given these realities, no funding is being requested for programs that involve the Uzbek Government. The U.S. will continue to provide assistance to the country's nongovernmental sector, including programs to support civil society, promote religious moderation, improve health care, fight diseases, improve education, and develop micro-credit and agribusiness.
- *Regional FSA (\$29.4 million)* - Eurasia Regional funds will continue to support conflict mitigation and confidence building activities in the Caucasus. Regional funding will also support analytical efforts to track progress towards transition, mitigation of cross-border health problems, U.S. Trade and Development Agency feasibility studies to facilitate U.S. investment and exports to the region, and as projects carried out by regional organizations, such as the Georgia-Ukraine-Azerbaijan-Moldova (GUAM) group. The regionally funded Program for Research and Training on Eastern Europe and the Independent States of the Former Soviet Union (Title VIII) will provide advanced research and language training opportunities for U.S. scholars studying the Eurasian countries.
- *Central Asia Regional (\$1.6 million)* - Central Asia Regional funds will continue to support ongoing cross-border efforts, such as water-resource management projects, conflict mitigation and confidence building in Central Asia.
- *Regional FSA - OSCE (\$12 million)* - The FSA regional account also funds U.S. voluntary contributions toward the costs of maintaining OSCE field missions in the Eurasian countries. OSCE field missions undertake high-priority responsibilities in conflict prevention and post-conflict democratization and stabilization. Funds are also used to pay the salaries of American citizens seconded to the OSCE Secretariat and field missions, as well as the travel costs of Americans serving as election monitors for the OSCE's Office of Democratic Institutions and Human Rights. A total of \$10 million in FY 2007 FSA regional funding is being requested for these purposes. In addition, \$2 million in FSA regional funding is being requested to support extra-budgetary contributions to the OSCE for high-priority projects to promote human rights, democratization, economic development, and environmental protection.

C. Independent Agencies

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Peace Corps	317,440	319,880	336,700
Inter-American Foundation (IAF)	17,856	19,305	19,268
African Development Foundation (ADF)	18,848	22,770	22,726
Millennium Challenge Corporation (MCC)	1,488,000	1,752,300	3,000,000
Total, Independent Agencies	1,842,144	2,114,255	3,378,694

Peace Corps

The FY 2007 budget request provides \$336.7 million for the Peace Corps, an increase of nearly \$17 million over the estimated FY 2006 level.

By the end of FY 2007, there will be approximately 7,800 American Peace Corps Volunteers assisting host countries and local communities to improve education of students, encourage economic development, protect and restore the environment, and increase the agricultural capabilities of farming communities, expand access to basic health care for families, and address HIV/AIDS prevention and care.

Through their services, American Peace Corps Volunteers make lasting contributions to the U.S. and the international community by representing American values and diversity, responding to humanitarian crises and natural disasters, and preparing America's work force with overseas experience.

Inter-American Foundation (IAF)

The FY 2007 request of \$19.3 million will fund the Inter-American Foundation's (IAF) mandate to support programs that promote entrepreneurship, self-reliance, and democratic self-governance as a way to foster economic progress for the poor. A focus on innovation drives the IAF's work in Latin America and the Caribbean, such as its pioneering efforts to work with migrant organizations to help channel some of the vast amounts of remittances that immigrants send home each year into development activities for their home communities. In FY 2007, the IAF will create Opportunity Zones, one of President Bush's key proposals at the recent Summit of the Americas in Argentina. This program encourages a combination of business ownership, local investment and civic partnerships to bring people out of poverty in targeted areas.

The IAF will continue to expand its innovative program involving a partnership with an expanding network of 54 Latin American corporations and corporate foundations. Participating corporate partners share criteria for funding and a results measurement system based on IAF's experience with grassroots development, and exceed IAF contributions by a ratio of 2:1 to support local development initiatives. In FY 2007, the IAF will again support the President's priorities in Latin America and the Caribbean to reduce poverty, strengthen local democratic practice, and stem the flow of illegal immigration.

African Development Foundation (ADF)

ADF's request for \$22.7 million in FY 2007 will allow the Foundation to provide African small enterprises with the essential capital, technology, technical assistance, and training they need to grow, generate new jobs in Africa's poorest communities, and deliver significant increases in income to their employees. The funding will also help farming groups and small businesses access the global economy by providing them

with resources to diversify their production, create value-added products, and market those products to regional and overseas consumers.

ADF will leverage its annual appropriation by securing approximately \$18 million in matching donations from African governments, other donor organizations, and the private sector.

Millennium Challenge Corporation (MCC)

The President's budget requests \$3 billion for the Millennium Challenge Corporation for FY 2007 to enable MCC to reduce poverty through economic growth and realize the vision of the President when he presented the concept of a new compact for global development in 2002. Two years after its founding, MCC is now working closely with 23 eligible countries in various stages of the compact development process, providing guidance and technical assistance, with the end goal of signing transformational compacts. In November 2005, the MCC Board selected six new countries eligible for MCC funding, on top of the 17 previously selected countries.

In addition, MCC is working with 18 threshold countries, three of which (Burkina Faso, East Timor, and Tanzania) were also selected by the MCC Board as eligible countries for FY 2006. The Threshold Program was created to help countries who have not yet qualified for MCA Compact funding, but have demonstrated a significant commitment to improve their performance on the eligibility criteria for MCA Compact funding.

MCC has built the organizational capacity, in terms of talented staff and policies and procedures, to help eligible nations move quickly through the compact development process. MCC has made significant improvements to better deploy funding effectively and responsibly, including a major reorganization in the first quarter of FY 2006. In its first two years, MCC has created a lean and vibrant organization to administer the Millennium Challenge Account. In this short period, MCC has hired 165 employees, and expects to increase staff by more than 60% in FY 2006 to meet its intended capacity of 300 employees. MCC has received a clean opinion on its most recent audit, and has worked closely with its Inspector General to review many of its procedures with a view to improving service delivery and management controls.

By the end of FY 2005, MCC had approved five compacts amounting to \$905 million. MCC expects to approve at least six additional compacts in FY 2006 for an additional commitment of up to \$1.7 billion, twice the level committed in FY 2005. In FY 2007, MCC is expecting to sign up to 10 new compacts for commitments of over \$3 billion. Disbursements will also begin to increase more rapidly in FY 2006 and even more so in FY 2007 as the initial tranche of signed compacts move beyond the initial stages of implementation.

D. Department of State

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
International Narcotics Control and Law Enforcement	947,389	472,428	795,490
Andean Counterdrug Initiative - ACI	725,152	727,155	721,500
Migration and Refugee Assistance	884,240	783,090	832,900
U.S. Emergency Refugee and Migration Assistance Fund	29,760	29,700	55,000
Nonproliferation, Anti-terrorism, Demining, and Related Programs	422,184	406,000	449,430
Global HIV/AIDS Initiative	1,373,920	1,975,050	2,894,000
Conflict Response Fund	-	-	75,000
Democracy Fund	-	94,050	-
Total, Department of State	4,382,645	4,487,473	5,823,320

International Narcotics Control and Law Enforcement (INCLE)

The FY 2007 request includes \$795.49 million for country and global programs for International Narcotics and Law Enforcement Affairs activities. Key initiatives under this account include:

Afghanistan (\$297.39 million) – The request accelerates and expands three major programs: law enforcement, counternarcotics and justice sector reform.

Law Enforcement: Funds will support maintenance and operation costs for our Regional Training Centers and police trainer-advisors to begin providing specialized and advanced courses for Afghan police that build upon the basic training program previously provided, including leadership and management training, advanced counternarcotics skills, field training, operational police skills, computer skills, literacy skills and other critical courses. In addition, funds will support continued Ministry of Interior reform efforts including payment of police salaries through a contribution to the United Nations Development Program Law and Order Trust Fund for Afghanistan (LOTFA).

Counternarcotics: Funds will support a governor-led opium poppy elimination program to discourage farmers from planting poppy and to promote provincial-level eradication early enough to replant in legitimate crops. Funds will provide for a ground-based, manual eradication program operated from the national level to reinforce provincial poppy elimination/eradication efforts. Funds will also support drug interdiction programs, including aerial support for DEA-assisted raids, and provide for public awareness campaigns, and demand reduction programs.

Justice Sector Reform: Funds will support four strategic objectives: development of institutional capacity of the permanent justice institutions, development of the operational capacity of criminal justice sector actors, development of the correctional system, and professionalization of justice sector personnel. Specific activities will include advisory support, basic and specialized criminal justice training, institutional capacity-building projects, and continued support for the bar association, licensing development, and legal aid centers. Funds will also be used to maintain a comprehensive corrections reform and support program including corrections training, infrastructure and equipment support, and systems management improvements such as a prisoner tracking system and database. The reintegration of women into the legal sector will remain a focus through FY 2007.

Pakistan (\$25.5 million) -The request will continue projects and activities in border security, law enforcement development, and counternarcotics. Funds will sustain the aviation units providing surveillance and intercepting drug-traffickers, terrorists and other criminals operating in remote areas by providing fuel, communications, facilities operations, advisors, and contractor support. Funds will be used to construct border security roads in the Federally Administered Tribal Areas (FATA), and to provide vehicles, communications equipment, and surveillance equipment to support civilian border agencies. Funds will be used to provide training, technical assistance, and equipment to expand investigative skills and forensics capacities, build accountability and internal control structures, enhance police training institutions, develop community policing programs, and improve managerial and leadership expertise. Funds will continue the implementation of the Automated Fingerprint Identification System (AFIS) and criminal information databases that link federal and provincial law enforcement agencies and improve investigative skills and cooperation. Funds will be used to support crop control operations (including roads, water projects, and agriculture programs), provide demand reduction public awareness programs, and provide operational support to law enforcement agencies, especially the Anti-Narcotics Force.

Iraq (\$254.6 million) - The Iraq Rule of Law program consists of eight components: (1) Human Rights within the Criminal Justice System (\$15 million), (2) Criminal Justice Integration (\$25 million), (3) Public Integrity Program (\$18 million), (4) Foster Rule of Law Outreach Program (\$50 million); (5) Initiate Provincial Prosecutor Development Program (\$14 million); (6) Courthouse Infrastructure/Security (\$93.6 million); (7) Corrections Program (\$32 million); and (8) Administrative Oversight (\$7 million).

The program will develop and harmonize both an effective and efficient means for sustaining an integrated process of justice within civil law and based on human rights for the Government of Iraq. The intent is to strengthen human rights enforcement in the Iraqi criminal justice system, promote the integration of police, courts and prisons; continue development of public integrity codes of conduct and anti-corruption laws, develop legal assistance centers and increase public understanding of the justice system, initiate a public prosecutor development program; provide courthouse infrastructure and security enhancements; and provide corrections advisors to the Iraq criminal justice system.

Africa (\$21.5 million) - In Sudan, funds will support the Comprehensive Peace Agreement by improving the police, courts and correctional capacities in Southern Sudan through police advisors/mentors for the UN Mission in Sudan (UNMIS). Funds will also support technical assistance on the organizational structures of the police, courts and corrections, and provide equipment and infrastructure development. In Liberia, funds will provide technical assistance for the Liberian police in the areas of community policing and investigations involving trafficking in persons and domestic violence. Funds will also support programs in Nigeria, South Africa and throughout the region, providing training, equipment and technical assistance for police and judicial reform and modernization, law enforcement enhancement, and investigative and prosecutorial capabilities on financial crimes. Also, funds will support the Women's Justice and Empowerment Initiative (WJEI), a \$55 million 3-year project jointly funded by INCLE and ESF to promote women's justice and empowerment in four African nations—Benin, Kenya, South Africa, and Zambia. This initiative will work to assist the existing efforts of these countries to combat sexual violence and abuse against women, and empower them in society. In FY 2007, \$9.6 million is requested to continue to finance the criminal justice development aspect of the initiative, which began in FY 2006. Funds will be used to continue to provide training, technical assistance, and equipment needed to achieve the goals of strengthening: local police capacity to investigate reports of abuse and arrest; the court system capacity to prosecute offenders; and laws supporting women's justice and empowerment.

East Asia and Pacific (\$8.4 million) – FY 2007 funding in Indonesia will continue to support the development of the Indonesian National Police from a military to civilian police agency. We will continue a program initially funded under ESF to support development of an efficient and effective marine police

organization to protect and defend Indonesian borders and waterways. Funds will also aid in strengthening controls of precursor chemicals used in production of illicit synthetic drugs. In Laos, the request will support limited crop control and demand reduction programs. In the Philippines, funds will continue programs providing technical and training assistance geared towards law enforcement, judicial reform and forensic documentation procedures. Lastly, the requested funds will provide training, technical assistance, and equipment in Thailand to enhance institutional capabilities for more effective investigations of major drug trafficking and other criminal organizations.

Near East (\$1 million) – Funding will be directed toward continued efforts in assisting Morocco improve its border control security. Funds will provide equipment, technical assistance and training to help Morocco's problems with illegal migration, human smuggling, narcotics production and trafficking

Mexico (\$39 million) – Mexico is critical both to U.S. homeland security and counternarcotics strategies. INCLE funding will be used for three major programs: Homeland/Border Security, Counternarcotics, and Institutional Development. Homeland/Border Security projects will include installation of additional non-intrusive inspection units; development of automated systems to better document, monitor and control cargo, vehicles, and pedestrians flowing across the border with the United States and at maritime ports; and construction of additional expedited border crossing lanes at key points to connect with parallel lanes on the U.S. side. Counternarcotics projects will include providing technical assistance and equipment to Mexican law enforcement agencies to enhance their ability to investigate organized crime, interdict drug and precursor chemical shipments, and conduct enforcement operations. Operational support will be directed to ongoing successful cooperative efforts to dismantle major trans-border drug trafficking groups and related threats. Attacking methamphetamine production facilities will be a top enforcement priority. Funding will partially upgrade the aging air fleet of the Office of the Attorney General and support the Mexican Air Force's C-26 program, both of which will enhance interdiction capabilities. Institutional Development projects will help modernize law enforcement-related facilities, enhance training capacity, and provide systems management capabilities -- including national criminal and DNA databanks. USG funds will also support efforts to assess, strengthen, and professionalize Mexican local law enforcement along the border, where recent outbreaks of narcotrafficking violence threaten to spread into the U.S.

Guatemala (\$2.2 million) - Funding will improve the ability of the Government of Guatemala to interrupt the flow of drugs that land in Guatemala en route to the United States.

Haiti (\$10 million) - Reforming the criminal justice system is a key to stability and economic development in Haiti. Funds will be directed to enhance the accountability, functioning, and training capacity of the Haitian National Police (HNP), in coordination with the United Nations and donors. Funds will assist in vetting, selection and training of new HNP recruits - to vet and train existing officers, provide equipment and infrastructure repairs to facilitate mobility and communications, continue the development of a forensics and investigative capacity, support police reform and ensure adherence to policies and procedures, including through the model station program, and police accountability. Requested funds will also be used to contribute up to 30 U.S. police officers to the civilian police component of the UN Mission in Haiti (MINUSTAH) to assist training, vetting, monitoring, and advising the new Haitian National Police. Funding will continue the ongoing effort aimed at restoring the logistical and maintenance capacity of the Haitian Coast Guard (HCG). It will be directed toward equipping and training the HCG for maritime drug operations. In addition, funds will support DEA's Special Investigative Unit, as well as the efforts of the Government's Financial Investigative Unit to combat money laundering and corruption.

Other Western Hemisphere (\$3.6 million) – This includes Bahamas, Jamaica, and the Caribbean and Central America Regional as well as Southern Cone Regional programs. The Caribbean accounts for an estimated 10-20% of the drug flow to the U.S. Funding will concentrate on the maintenance of the Caribbean capabilities in interdiction, law enforcement and administration of justice. Funding for Central

American countries will target drug interdiction efforts and promote improved regional and cross-border cooperation aimed at stemming the flow of drugs.

Global Programs (\$132.3 million) – These programs are intended to counter transnational crime, key post 9/11 law enforcement challenges, and broader counternarcotics challenges. Specific components include:

- **Anti-Crime Programs (\$14.5 million)** – Funds will support programs to combat a broad range of crime challenges to our national security, including those with a strong connection to terrorism. These programs are focused in the following major areas: anticorruption; crimes involving information technology, including intellectual property rights enforcement; financial crimes and money laundering; alien smuggling; and border security.

Funds will support our anticorruption efforts in international and regional organizations, including support for promoting implementation of the new United Nations Convention Against Corruption and related regional commitments in the Middle East and North Africa, Asia-Pacific, Western Hemisphere, Europe and Africa. Funds will support assistance projects identified pursuant to the G-8 Anticorruption Compacts, announced at the most recent G-8 Summits in Evian, Sea Island, and Gleneagles. Nicaragua, Georgia, Peru, and Nigeria have already entered into such Compacts, and, in cooperation with the G-8 and other donors, have developed technical action plans to increase transparency in procurement and public financial management. Funding in each country started in FY 2005 and this request represents the third and final year of support for this initiative. Projects initiated in FY 2005 include developing an Anticorruption Task Force in Nicaragua, developing a public financial management tracking system and training anticorruption investigators in Nigeria, developing a civil property registry and supporting public procurement reform in Georgia, and fostering anticorruption networks among Peruvian municipalities.

In addition, we will continue efforts to stem financial crimes and money laundering by providing contributions to the 33-member Financial Action Task Force (FATF) and FATF-style regional bodies; supporting technical advisors, training, and development of Financial Intelligence Units in Central America, Caribbean and Pacific Islands; and development of Trade Transparency Units in select countries. Funds will also support the Human Smuggling and Trafficking Center by funding administrative costs of the Center. We will also help vulnerable countries to upgrade their border control systems, including providing technical assistance to help them improve travel document issuance systems and customs controls. Lastly, these funds will help stem the theft of intellectual property and promote cyber security by providing training, technical assistance and resident legal advisors to assist with capacity-building, including by modernizing laws and institutions.

- **Civilian Police Program (CIVPOL) (\$2.0 million)** – This request will be used to continue to develop the capacity of the U.S. to sustain basic capacity in three existing contracts to recruit and prepare well qualified individuals to train, equip, deploy, and serve as U.S. advisors and trainers in peacekeeping missions and complex security operations, and to improve planning and deployment capabilities (e.g., assessment teams, advance teams, and technical advisors) for quick and effective post-conflict response on criminal justice issues. The FY 2007 program will also fund a training coordinator and police advisor, and a position established at the U.S. Mission in New York responsible for working with the U.N. Department of Peacekeeping Operations. Funds also support program management and oversight efforts and responsibilities.
- **Demand Reduction (\$1.9 million)** – The request provides funding for international demand reduction programs that address Presidential priorities to augment prevention, intervention and recovery maintenance services. Funds will support the formation and enhancement of effective drug-free community coalition programs in key drug producing countries, provide treatment/prevention training

focusing on intravenous drug users in Southeast Asia and Africa countries with high HIV/AIDS infection rates, and support Muslim-based anti-drug program/civil society organizations in the Middle East and South and Southeast Asia. The program will continue an international outreach program to educate international communities about U.S. policies, programs, success, etc., and support regional and bilateral drug awareness programs by providing technical assistance and advisors on creating media campaigns, treatment programs, and training for drug prevention providers.

- International Law Enforcement Academy (ILEA) (\$17 million) – The ILEA program continues to be a dynamic training program, providing relevant, timely, and quality training against the backdrop of diverse and often shifting regional economic, social and political environments. It anticipates and responds to constantly changing international crime-related challenges such as terrorism, corruption, financial fraud and money laundering, alien smuggling, trafficking in persons, and organized crime. The President’s 2003 National Terrorism Strategy Report urges us to “broaden the scope and strength of the ILEAs.” These funds will allow us to continue to fully support existing ILEAs in Bangkok, Budapest, Gaborone, Roswell ,and the newest ILEA in San Salvador.
- International Organizations (\$5.4 million) – Funds will support counter-narcotics and anti-crime programs of the UN Office on Drugs and Crime (UNODC) and the counter-narcotics programs of the Inter-American Drug Abuse Control Commission (OAS/CICAD). Financial resources will be directed towards the following: in-country mentors to provide anti-money laundering and counter-terrorist finance assistance; legal advisors to ensure that countries implement the three international drug control conventions; precursor chemical control projects to track and prevent the diversion from legitimate commerce of the chemical precursors required for the manufacture of illicit drugs; on-the-ground assistance in implementing the provisions of the UN Convention Against Transnational Organized Crime and its supplementary protocols, as well as the universal counter-terrorism instruments and various OAS conventions; UNODC’s Independent Evaluation Unit, which enhances the efficiency and effectiveness of technical assistance delivery; OAS/CICAD’s Multilateral Evaluation Mechanism (MEM), along with technical assistance to countries to address the shortcomings identified by the MEM in their anti-drug programs/strategies; supply and demand reduction and legal development projects at the OAS; and implementation of the OAS’ Anti-Drug Strategy in the Americas.
- Interregional Aviation Support (\$65.5 million) – Funds will provide core services, including logistics, contractor support, spare parts, and Air Wing costs associated with operations centered at Patrick Air Force Base necessary to operate a fleet of 189 fixed-and rotary-wing aircraft, which support counternarcotics aviation programs in Colombia, Bolivia, and Peru, border security operations in Pakistan, and, as required, programs at other temporary deployment locations.
- Program Development and Support (\$19 million) – These funds will provide for the administrative expenses to carryout the International Narcotics and Law Enforcement programs.
- Trafficking in Persons (\$7 million) – Funds will target countries in Tiers 2 and 3 of the Trafficking in Persons Report, as well as other countries or regions where there are trafficking problems. Funds will support investigative and prosecutorial capacity building, strengthen law enforcement and civil society collaboration, fund victim protection initiatives, assist in developing anti-trafficking legislation, promote regional and cross-border partnerships, and support research to determine long-term and sustainable strategies.

Andean Counterdrug Initiative (ACI)

The FY 2007 \$721.5 million request will be used to continue the multi-year counterdrug program (ACI) that aims to reduce the flow of drugs to the United States and prevent instability in the Andean region.

Bolivia (\$66 million) – The request will continue to support current Bolivian efforts to eradicate the illicit growth of coca, increase interdiction of essential chemicals and cocaine products, foster alternative economic development, continue current level of prosecutions of narcotics related cases, and improve the quality of investigations into alleged human rights violations. To achieve these goals, this request will continue to cover the costs of basic ground and air interdiction operations, eradication operations, and alternative development programs while fostering drug awareness and demand reduction within Bolivia. The drug control programs in Bolivia focus on: support and maintenance of a network of interdiction bases for ground and air operations, along with increased use of more flexible, mobile checkpoints and increased night operations; a national secure communications grid; and maintain current efforts to control coca production, and provide intelligence support for the growing number and increased complexity of operations and investigations. Funds will assist Bolivia by supporting institution building within the Bolivian forces dedicated to eradication, interdiction, and border security by providing training to police and prosecutors assigned to counterdrug operations as well as providing field support for the conduct of these operations. Alternative development funds will increase the competitiveness of licit rural enterprises thereby providing an alternative to illicit coca cultivation, foster more effective, transparent and responsive democratic institution, and improve basic public services and social conditions. Administration of Justice Program funds will provide training and technical assistance to help mitigate conflicts and enhance citizen's access to the formal justice system.

Colombia (\$465 million) – The Colombia funds will continue to support the comprehensive campaign against drug trafficking and narcoterrorists. Funds will maintain support to the Colombian Army's aviation program and drug units with training, logistics support, operating expenses, equipment, and upgrades to forward operating locations. These funds will similarly maintain support for the Colombian National Police in the areas of aviation, aerial eradication, and interdiction by providing equipment, logistical support, training, upgrades of security equipment, interoperable communications and information links, and basic administrative support. Alternative development programs will increase legal economic opportunities by promoting social and economic development by introducing new licit crops, supporting agribusiness and forestry activities and developing local and international markets for these new products. Funds will also support vulnerable groups, democracy, the rule of law, judicial reform, and drug awareness and demand reduction by providing training, equipment, education, technical assistance, and advisors in these areas.

Peru (\$98.5 million) – The FY 2007 funds will support the successful push against expanded coca cultivation by stepped up interdiction and eradication in the hard-core areas. It will also monitor and eradicate potential cultivation of opium poppy and disrupt large-scale smuggling operations in ports and airports. Interdiction and eradication depend on airlift operations using the DoS-owned fleet and GOP assets. Funds will maintain the aviation program by providing continued operations and maintenance support such as fuel, spares, etc. Other programs will fund monitoring and research on coca and alternative crop cultivation, demand reduction and public information on the corrupting influence of the drug industry, and will provide training and technical assistance to the anti-money laundering program. Alternative development and institution building programs will support licit economies replacing coca cultivation through technical assistance to licit business and support for underlying basic infrastructure such as roads, bridges, and schools and health care systems, forestry and agro-business.

Brazil, Ecuador, Venezuela and Panama (\$26.3 million) – The request will continue interdiction and eradication efforts in the key transshipment countries of Brazil, Ecuador, Venezuela and Panama. FY 2007

funds will focus on improving police and military operations by providing training and equipment and upgrading critical facilities. Funds will be used for training and equipment for law enforcement units to improve drug detection, seizure and mobile inspection capabilities and port and border point of entry security programs. In addition, training will enhance judicial and prosecutorial effectiveness and enhance money laundering and chemical investigation efforts.

Critical Flight Safety Program (\$65.7M) - The Department of State Air Wing has an immediate need for a Critical Flight Safety Program (CFSP) to upgrade its severely aged aircraft fleet to commercial standards in order to sustain the counter-narcotics and counter-terrorism missions. The declining condition of the fleet presents the mission and our aircraft with a crippling reality of increased costs for amplified maintenance man-hours and material requirements, and degraded performance capability. In many cases, Air Wing aircraft show evidence of severe structural failures that resulted in forced groundings. Many are excess defense aircraft that are no longer supported or are being discontinued in the Department of Defense (DoD) inventory. Most airframes have not gone through any major airframe Programmed Depot Maintenance. Many aircraft are over 35 years old and have greater than 10,100 airframe hours. DoD typically removes from service helicopters that were flown in excess of 4,000 hours. The planned activities include fixes such as selective rewiring, critical airframe upgrades, selective component replacement, and retrofitting obsolete components. This will successfully control many age-related costs and sustain the aircraft's capability. This initiative will take up to five years, with the aircraft chosen to be upgraded based on age, condition and need.

Migration and Refugee Assistance (MRA)

The FY 2007 request of \$832.9 million provides resources to respond to the projected humanitarian needs of refugees and conflict victims worldwide. Funding will be provided to international organizations such as the UN High Commissioner for Refugees (UNHCR), the International Organization for Migration (IOM), the International Committee of the Red Cross (ICRC), and the UN Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), as well as to non-governmental organizations filling critical gaps in the international community's multilateral response to humanitarian needs overseas and resettling refugees in the United States. These funds support programs to protect refugees and conflict victims; address basic needs to sustain life and health; resolve refugee problems through voluntary repatriation, local integration, or permanent resettlement in a third country, including the United States; and foster the humane and effective management of international migration flows.

- Overseas Assistance (\$547.99 million). This request will contribute to international efforts to protect refugees and conflict victims worldwide -- including programs that guard against the exploitation of beneficiaries of humanitarian assistance, the provision of the basic needs to sustain their life and health, and the resolution of refugee situations through durable solutions. The request includes funding to respond to the needs of Sudanese refugees displaced by the current conflict in Darfur, as well as return and reintegration support for Sudanese refugees that are beginning to return following the signing of the North-South peace agreement. It also includes funding for the return and repatriation of refugees and certain IDPs in Afghanistan, Iraq, and in parts of Africa.
- Refugee Admissions (\$222.69 million). The FY 2007 request reflects the Administration's continued commitment to a robust U.S. resettlement program. Funding levels reflect higher admission targets and the increased costs of admitting refugees to the United States given the additional logistical and security requirements under which the program now operates. The actual FY 2007 global and regional admissions ceilings will be set by a Presidential Determination after the Congressional consultations process later this fiscal year.

- Humanitarian Migrants to Israel (\$40 million). The funding level continues longstanding USG support for relocation of Jewish migrants to Israel, and supports a package of services designed to promote integration of migrants into Israeli society.
- Administrative expenses (\$22.22 million). The FY 2007 request provides the resources for the Bureau of Population, Refugees, and Migration to manage effectively and responsibly critical humanitarian programs funded through the MRA and ERMA appropriations. These funds support Bureau staff in Washington and at overseas posts and related costs. Costs related to Bureau staff dedicated to international population activities are included in the Department of State's Diplomatic and Consular Programs account.

U.S. Emergency Refugee and Migration Assistance Fund (ERMA)

A request for \$55 million in FY 2006 will ensure readiness to respond to future urgent and unexpected refugee and migration needs.

Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR)

The Nonproliferation, Anti-terrorism, Demining, and Related Programs account provides resources to support critical security and humanitarian-related foreign policy objectives. The FY 2007 request for this account totals \$449.43 million:

Non-Proliferation Programs

- \$38 million for the Nonproliferation and Disarmament Fund (NDF) which is used to develop, negotiate, finance, and implement carefully vetted proposals to halt the proliferation of weapons of mass destruction (WMD), their delivery systems, and advanced conventional weapons systems, with particular emphasis on denying such weapons to terrorists, as well as to destroy existing weapons. NDF projects are designed to take advantage of unanticipated opportunities that might arise. As a USG counter-proliferation alert force, the NDF allows for rapid responses to a wide variety of situations, from WMD in Libya, to SA-3s in Southeast Asia, to fissile material in Kazakhstan. For this reason, NDF resources are not committed to any project or region in advance. NDF has funded the elimination of MANPADS in four countries, and is currently engaged in eliminating heavy munitions that could be used to make Improved Explosive Devices (IEDs), and destroying fermenters that could be used to make large amounts of pathogens for biological weapons.

The U.S. has launched numerous diplomatic initiatives that depend on NDF funding. For FY 2007, NDF is expected to continue support for several classified efforts to secure or remove dangerous materials in sensitive locations, eliminate weapons delivery systems, support emergency interdiction efforts, and help launch new nonproliferation initiatives. To ensure that NDF can continue to respond quickly to difficult challenges, the Administration requests that NDF funding, as in previous years, be made available notwithstanding any other provision of law, that funds be appropriated until expended, and, that their use be authorized for countries other than the independent states of the former Soviet Union and international organizations.

- \$45.05 million for the global Export Control and Related Border Security Assistance (EXBS) program, which is designed to help prevent the proliferation of WMD, their missile delivery systems, and advanced conventional weapons. Funds provide training, equipment, and services to establish or enhance export control systems and border control capabilities, to include improving the capability of partner countries to fulfill their commitments as part of the Proliferation Security Initiative and supporting the President's pledge to help requesting countries fulfill their obligations under UNSCR

1540. In FY 2007, the EXBS program will become increasingly global, reaching out to 47 countries on six continents as part of the effort to prevent transfers of strategic trade items to end-users of proliferation concern, including rogue states and terrorist networks. By graduating countries that have, through the EXBS program, developed export and border controls that meet international standards, EXBS leverages its funding and impact.

- \$56.2 million for Nonproliferation of WMD Expertise (NWMDE), which currently funds four programs: Science Centers; Bio-Chem Redirection; the BioIndustry Initiative; and Iraqi WMD Scientist Redirection. NWMDE funds will also be needed for the Libya Scientist Engagement program in the event that Libya is no longer on the State Sponsors of Terrorism list.
- Funding for the Science Centers Program finances civilian research between former Soviet scientists, engineers and technicians and U.S. experts for permanent transition to stable civilian employment as an alternative to providing WMD expertise to terrorist networks or proliferant states. The FY 2007 program will allow continued engagement and, through targeted training in business, marketing, intellectual property rights, and matchmaking with U.S. commercial partners, will accelerate graduation from U.S. assistance to sustainability.
- Funding for the Bio-Chem Redirect (BCR) Program supports a targeted initiative to engage former Soviet chemical and biological weapons scientists, engineers and technicians in sustainable civilian research, a matter of special attention due to the high proliferation risk and the growing risk of use of these weapons by terrorists. BCR funds HHS, EPA, and USDA, whose activities are coordinated by a State Department-chaired interagency working group to ensure oversight. Without BCR, these agencies would lack the financial means to perform this key role in NWMDE, and NWMDE programs would lack needed technical expertise. The FY 2007 program will allow HHS, USDA, and EPA to provide critical capacity and training to graduate the scientists to sustainable employment, and will allow us to expand work to include under-engaged chemical and biological experts in Central Asia.
- The BioIndustry Initiative (BII) is the only U.S. program to reconfigure large-scale former Soviet biological weapons production facilities for civilian biotechnology purposes. Via BII, the U.S. has gained access to over ten previously closed Soviet BW production facilities and is engaging them in projects. Also, as mandated by Congress, BII focuses on accelerated drug and vaccine development to combat highly infectious diseases, which makes the program an important element of U.S.-Russian efforts to combat bioterrorism. FY 2007 is a critical year for BII as several large-scale projects currently under development will be coming online and will require a budgetary commitment in FY 2007 to bring them to fruition. These projects include large-scale reconfiguration projects at institutes mentioned in the BII Congressional mandate.
- The WMD Scientist Redirection Program in Iraq is in the start-up phase. A program office (the Iraqi International Center for Science and Industry) has been established, staffed by Iraqis; it pays stipends to WMD scientists. A Science Advisory Council comprised of Iraqi WMD scientists meets regularly at the Center to set priorities for future work. In FY 2007, the start-up phase will be completed and approved projects to employ scientists in Iraq will be identified and implemented. FY 2007 funding is required to provide for continuing operations and for financing of projects identified by the Center.
- \$50 million for voluntary contributions to the International Atomic Energy Agency (IAEA) to support programs in nuclear safeguards, safety, and security. Safeguards funding will support strengthened nuclear verification measures to detect covert nuclear activities and help replace outdated equipment,

and will support the work of the Committee on Safeguards and Verification established in 2005 in fulfillment of one of the President's February 2004 NDU initiatives. Nuclear safety and security funds will support IAEA's worldwide programs to help states limit the risk from nuclear accidents and counter threats of nuclear terrorism by providing training and technical assistance in nuclear safety, physical protection, countering nuclear smuggling, and controlling hazardous radioactive materials that could be used for dirty bombs.

- \$19.8 million for the Comprehensive Nuclear Test Ban Treaty (CTBT) Preparatory Commission to pay the U.S. share for the ongoing development and implementation of the International Monitoring System (IMS), which supplements U.S. capabilities to detect nuclear explosions. Since the United States does not seek ratification and entry-into-force of the CTBT, none of the funds will support Preparatory Commission activities that are not related to the IMS.

Anti-Terrorism Programs

- \$135.6 million for the Anti-Terrorism Assistance (ATA) program to support the global campaign against terrorism by providing strategic, operational, and technical training and enabling equipment to coalition partners to assist them in detecting and eliminating terrorists threats and in protecting facilities, individuals and infrastructure. Funds will support maintaining the scope and volume of existing training capabilities and also provides for development of new courses to respond to shifting requirements emanating from the evolving terrorist threat. In addition, the FY 2007 request supports: new in-country programs in Iraq and the Philippines, participating countries critical to the U.S. counterterrorism effort; and, follow on funding for special programs in Afghanistan, Pakistan, Indonesia, Kenya and Colombia. The request funds the Mobile Anti-terrorism Training Team component to continue facilitating in-country ATA training for priority, short-notice requirements. Lastly, the request continues to fund activities at the regional counterterrorism policy and training center established by the Government of Malaysia.
- \$9.08 million for Counterterrorism Financing Programs to assist foreign countries' efforts to detect, investigate and root out terrorist networks proactively by "following the money," as well as to freeze assets, and to prevent the abuse of financial institutions, businesses, cash couriers, and charitable organizations as conduits for money to terrorist organizations.
- \$11.8 million for the Terrorist Interdiction Program which strives to derail terrorist international travel by providing select countries with a computer network enabling immigration and border control officials to quickly identify suspect persons attempting to enter or leave the country. Funds requested for FY 2007 will support significant enhancements to the existing watch listing system software in order to provide a fraudulent document detection capability, a biometrics search capability, and greatly improved name-searching effectiveness. Funds will also support program expansion and strengthening specifically within the highest priority countries, namely Iraq, Afghanistan, Pakistan, Yemen and Kenya. Funds are also required to sustain existing system capabilities in the twenty other countries expected to be participating in the program in 2007.
- \$1.0 million for the Counterterrorism Engagement with Allies Program. The diplomatic, military, law enforcement, intelligence, and judicial cooperation of partner nations is *the* primary element of a successful international counterterrorism effort with key partners. Programs funded with these monies include conferences to foster regional (U.S. embassy and host country) cooperation on issues such as maritime security/terrorist interdiction, mainstream Muslims' engagement against extremism, border security, and interdiction of weapons of mass destruction and their components. In FY 2007, funds will sponsor conferences on maritime security/terrorist safehaven issues in South East Asia and with Middle

East posts to address the issue of foreign fighters in Iraq. Additional programs will: 1) foster cooperation between partner nations' intelligence officials, police and prosecutors to enhance their ability to bring terrorist to justice; 2) fund resident legal advisors to provide sustained assistance in development of CT laws and Joint CT Task Forces; and 3) sponsor training to enable weak but willing partners to meet international standards for travel document security. We are working closely with donors such as the UK and Australia to coordinate and leverage assistance in these areas.

Regional Stability and Humanitarian Assistance

- \$64.3 million for the Humanitarian Demining program, which supports a range of humanitarian mine action (HMA) initiatives. The program emphasizes landmine and unexploded ordnance (UXO) clearance, landmine surveys, and mine-risk education. In addition, some funds are provided for management training and special projects that enhance global mine action response mechanisms. The FY 2007 request continues the Administration's commitment to initiate, sustain, or expand U.S. HMA efforts in some 15 countries across the globe. These efforts protect the victims of war, alleviate adverse humanitarian and economic impacts, and serve as an engagement tool to further efforts to promote regional stability.
- \$10 million to support the International Trust Fund (ITF) for Demining and Mine Victims' Assistance in South East Europe. As with previous funding, this \$10 million will be used to match dollar-for-dollar contributions from other international donors to conduct a broad range of mine action initiatives.
- \$8.6 million to support the Small Arms/Light Weapons Destruction initiative, designed to eliminate excess, loosely secured, or other at-risk small arms and light weapons worldwide. Destruction of these weapons contributes to U.S. force protection and regional security efforts by helping prevent the spread of illicit weapons to insurgent groups and terrorist organizations. Destruction of shoulder-launched man-portable air defense systems, or MANPADS, a weapon sought after and used by terrorist groups, will continue to be a program priority in FY 2007.

Global HIV/AIDS Initiative (GHAI)

The Global HIV/AIDS Initiative account is the principle source of new funding for the President's Emergency Plan for AIDS Relief (the Emergency Plan). The Emergency Plan's vision is to help turn the tide of this global pandemic. The FY 2007 request for the GHAI account is \$2.894 billion, a significant increase that will be used to sharply ramp up treatment, care, and prevention activities in the 15 focus countries by building on the demonstrated success of the programs on the ground and the capacity that has been built in the focus countries during the first three years of the Emergency Plan. The Emergency Plan's commitment to holding programs accountable for achieving results has ensured that funds are used effectively and has allowed us to measure the outcomes achieved with U.S. funding. The request includes funding for country-based activities, centrally-funded programs, international partners, technical oversight and management, and strategic information and evaluation activities.

Country Activities – \$2.136 billion is requested to expand integrated prevention, care, and treatment programs in 15 focus countries, consisting of Botswana, Cote d'Ivoire, Ethiopia, Guyana, Haiti, Kenya, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Tanzania, Uganda, Vietnam, and Zambia. An additional \$50 million will be used to fund HIV/AIDS activities in other countries, complementing funds provided primarily from the Child Survival and Health Programs Fund (CSH) and other USAID-managed accounts, and from accounts of the U.S. Department of Health and Human Services.

Central Programs – \$480 million is requested to support centrally-funded technical leadership and technical assistance activities and specific programs in the following areas: anti-retroviral therapy, safe medical injections, safe blood supply, orphans and vulnerable children, abstinence and faithfulness, human capacity development, twinning of U.S. and overseas institutions, and supply chain management.

International Partners - \$127 million will supplement funding from the CSH and Health and Human Services accounts to support international partners. \$100 million is requested for a contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria from this account in addition to \$200 million proposed under the CSH and HHS accounts. In addition, \$27 million is requested in this account for a contribution to UNAIDS.

Technical Oversight and Management - \$65 million is requested to fund technical oversight and management costs. This request includes funding for the salaries and travel costs of the technical and management experts that oversee implementation and monitor and backstop the program from the headquarters of the various agencies that implement the Emergency Plan, including the U.S. Agency for International Development, the Department of Health and Human Services, the Department of Defense, and the Peace Corps, as well as \$13 million to fund the administrative expenses of the Office of the U.S. Global AIDS Coordinator.

Strategic Information - \$36 million is requested for Strategic Information activities that monitor program performance; track progress toward goals; evaluate the efficacy of interventions; and provide descriptive information about Emergency Plan activities.

Conflict Response Fund (CRF)

This funding is requested to allow the Secretary to respond quickly and effectively to or prevent conflict in foreign countries and regions by providing resources that can be drawn upon at the onset of a crisis. Similar to FY 2004 emergency supplemental funding provided for Liberia and Sudan, these funds will be used to finance a range of foreign assistance activities, including support for peace, transitional security, governance and humanitarian operations to prevent or respond to foreign territorial disputes, armed ethnic and civil conflicts that pose threats to regional and international peace, and acts of ethnic cleansing, mass killing or genocide. By identifying these funds in advance in their own account, the U.S. will accelerate delivery of critical expertise and resources that could influence the dynamics of a post-conflict environment and potentially shorten the overall period for deploying international peacekeepers or police. These funds would also allow for the design, preparation and deployment of programs, enabling the U.S. to establish a visible and effective civilian ground presence and to facilitate transition from military to civilian leadership on stabilization and reconstruction, and could include administrative costs of USG agencies associated with these activities. Finally, these funds will allow initiation of a civilian “reserve” to augment full-time staff and contracting capabilities.

These funds will not be used to provide assistance in response to natural disasters because existing contingency funding is available for that purpose.

E. Department of the Treasury

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
Treasury Technical Assistance	18,848	19,800	23,700
Debt Restructuring	99,200	64,350	182,799
Total, Department of the Treasury	118,048	84,150	206,499

Treasury Technical Assistance

The FY 2007 request for Treasury International Affairs Technical Assistance is \$23.7 million. The program provides financial advisors to countries seeking assistance in implementing significant economic reforms, especially during critical periods of transition to market-based economies. The program supports economic policy and financial management reforms, focusing on the functional areas of budget, taxation, government debt, financial institutions, and financial crimes law enforcement.

In FY 2007, it is estimated that \$5.47 million of the request will be used by Treasury Technical Assistance to fund resident and short-term advisor projects with countries combating terrorist finance activity. A large portion of the request (32%) will be used for assistance programs in sub-Saharan Africa, supporting economic and financial reforms in countries receiving HIPC debt relief, and other areas of emphasis. Over a quarter of the request (25.7%) will be used to carry out projects in the Greater Middle East, including Afghanistan, Iraq, and Jordan.

Debt Restructuring

The FY 2007 request is \$182.8 million for Heavily Indebted Poor Countries (HIPC) and poorest country debt reduction and for Tropical Forest Conservation Act programs.

For the poorest countries with unsustainable debt, debt reduction provides an incentive to implement macroeconomic and structural reforms necessary for economic growth and also frees up resources for poverty reduction efforts. At least \$175 million is required to cover the cost of completing HIPC bilateral debt reduction for the Democratic Republic of Congo.

The Tropical Forest Conservation Act (TFCA) received strong bipartisan support and was signed into law in 1998. The program allows for reduction of U.S. concessional debt and redirection of payments in local currency in eligible countries to support programs to conserve tropical forests.

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III. Military Assistance

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
International Military Education and Training	89,012	85,877	88,900
Foreign Military Financing	4,995,232	4,464,900	4,550,900
Peacekeeping Operations	547,568	173,250	200,500
Total, Military Assistance	5,631,812	4,724,027	4,840,300

International Military Education and Training (IMET)

IMET's traditional purpose of promoting more professional militaries around the world through training and education has taken on greater importance as an effective means to strengthen military alliances and the international coalition against terrorism. IMET has made these militaries more efficient, effective and reflective of U.S. values and has improved interoperability with U.S., NATO and regional coalitions.

Recipients of IMET training include foreign military personnel and civilian government and NGO personnel whose participation contributes to improved civil-military relations, civilian control of the military and human rights.

The FY 2007 request for IMET is \$88.9 million. The U.S. policy interest in building military alliances and capabilities in the international coalition against terrorism continues to be the focus of the FY 2007 request.

Africa – \$10.8 million, including \$3 million for Nigeria, Senegal, Ghana and Ethiopia – major contributors to peacekeeping operations on the continent and beyond.

East Asia and the Pacific – \$9.9 million, including \$7.4 million for key programs in the Philippines, Thailand, Mongolia and Indonesia.

Europe – \$27.1 million for new NATO members and key coalition partners, as well as other nations in the region to promote regional security and integration among U.S., NATO, European and Eurasian armed forces.

Near East – \$14.1 million, including \$10.5 million to sustain major programs in Jordan, Morocco, Tunisia, Egypt, Oman and Yemen, as well as \$1.2 million for a program in Iraq to establish English language skills to serve as the foundation from which to draw students to receive professional and technical military education.

South Asia – \$10.3 million, including \$3.6 million for programs in Pakistan and India and \$1.2 million to maintain training of the Afghan National Army (ANA).

Western Hemisphere – \$12.6 million, including \$1.8 million for El Salvador, \$1.7 million for Colombia and \$3.5 million for key programs in Argentina, Dominican Republic and Honduras.

Foreign Military Financing (FMF)

The FY 2007 request for FMF is \$4.55 billion. The total reflects small increases in funding for major programs while sustaining other critical programs. FY 2007 FMF will continue to support coalition partners and front-line states critical to the Global War on Terrorism (GWOT), and other key countries committed to counterterrorism activities such as Colombia.

The FMF program is a key element of coalition building, critical to enhancing the capabilities of friends and allies on whom we depend in multilateral coalitions and operations.

Africa – \$14.8 million for key African countries to bolster counterterrorism capabilities, improve peacekeeping capacity, enhance border and maritime control and strengthen regional stability. Major items include \$2 million to help Ethiopia build on its counterterrorism capabilities and support its nascent training institutions; \$4 million to fund the African Coastal and Border Security program, which seeks to provide new and follow-on assistance to several key African partners to develop means to control Africa's territorial waters and borders; and \$4 million for Djibouti to provide equipment and training to help protect its borders and waters from terrorist activity.

East Asia and the Pacific – \$31.9 million, including \$17.6 million for the Philippines to continue the long-term, multi-year plan for modernizing and reforming the Philippine Armed Forces, to reinforce the armed forces' counter-terrorism training instituted after 9/11, and to continue the maintenance and mobility program; \$6.5 million for Indonesia to promote defense reform and to improve maritime security, mobility and disaster relief capabilities; \$3 million for Mongolia to support interoperability with Western and UN forces as a key component of the coalition and complete its border communications project; \$2 million for Regional Maritime Security Program to support essential integrating network systems to facilitate information sharing and promote regional interoperability with particular focus on Indonesia, Malaysia, the Philippines and Thailand; and, \$1.3 million to support Thailand's special operations units, which are the Thai military's primary counter-terrorism assets.

Europe – \$136.8 million to fund ongoing efforts to incorporate the most recent NATO members into the Alliance, support prospective NATO members and coalition partners. Major programs include \$30 million to continue the defense reform in Poland while advancing professionalization, modernization and interoperability to support its coalition efforts; \$15 million to further defense reform and modernization in Romania; and \$15 million to promote Turkish Armed Forces modernization and strengthen its participation in the global war on terrorism.

Near East – \$3.9 billion, including \$2.340 billion for Israel, an increase of \$60 million consistent with the agreement to increase FMF and decrease Economic Support Funds (ESF) for Israel; \$1.3 billion for Egypt to fund programs which promote a modern, well-trained Egyptian military; \$206 million to support Jordan's force modernization, border surveillance and counterterrorism efforts; \$14 million to enhance Oman's capability to monitor land, sea and air borders and improve interoperability with U.S. forces; \$15.8 million to upgrade Bahrain's military capabilities pivotal to U.S. operations; \$12.5 million to enhance Morocco's capacity to patrol its northern coast and the Strait of Gibraltar; \$8.5 million to improve Yemen's ability to uproot the al-Qaeda presence in Yemen and safeguard its borders and territorial waters; and \$8.5 million to support Tunisia's efforts to secure its porous borders from terrorist threats.

South Asia – \$308.6 million, including \$300 million to provide equipment to help Pakistan's Armed Forces interdict and apprehend terrorists and prevent illegal cross-border movements which is critical to ongoing Operation Enduring Freedom efforts. Funds will also support countries in Central Asia to pursue defense reform and support the continued implementation of NATO Membership, Partnership and Individual

country Action Plan goals. \$1.3 million will support Nepalese armed forces' efforts to combat a Maoist insurgency.

Western Hemisphere – \$105.3 million to ensure that regional militaries are equipped and professionally trained to participate in coalition and peacekeeping operations, exert effective authority over their national territory. Of this, \$90 million is requested for Colombia -- which is at the center of the hemisphere's narcotics and terrorism threat -- to provide operational support and specialized equipment to the Colombian armed forces, focusing on specialized and mobile units of the Colombian Army, which are involved in securing national territory, as well as units assigned to protect the Cano Limon oil pipeline, a key portion of Colombia's economic infrastructure. Other programs include \$5.5 million to support El Salvador's modernization and interoperability efforts as a key coalition partner and enhance its disaster preparedness capabilities; and \$4 million for Operation Enduring Friendship to stem transnational criminal trafficking in aliens, narcotics, arms and other contraband by promoting a regional framework to respond to threats to Caribbean maritime security resulting in enhanced homeland security.

Global - \$43.5 million for FMF administrative costs.

Peacekeeping Operations (PKO)

The Administration is requesting \$200.5 million for PKO in FY 2007.

PKO funds advance international support for voluntary multinational efforts in conflict resolution, including support for international missions in response to emerging crises. These funds promote involvement of regional organizations and help leverage support for multinational efforts where no formal cost-sharing mechanisms exist.

The request includes \$3.95 million for *Africa Regional Peacekeeping Operations*. PKO funding is critical to our efforts to help end destructive conflicts and ensure viable peace in the Great Lakes region, the Mano River region of West Africa, and other sensitive areas on the continent by supporting conflict management activities, confidence-building measures and defense reform efforts. Funds may also support programs to enhance African capabilities to respond to regional crises, especially in conjunction with the African Union (AU) and the Economic Community of West African States (ECOWAS).

The request also includes \$41.4 million for *Sudan Security Sector Transformation* and \$14.8 million for *Liberia Security Sector Reform* in FY 2007. Funds for both of these programs will continue efforts to transform the Southern Sudanese and Liberian militaries into capable and professional armed forces. This assistance contributes to the prospects for peace in both countries as the government and people gain confidence in their security situation and are protected by a military that is both more professional and more representative of their respective societies.

FY 2007 PKO request includes \$102.6 million to continue the Presidential *Global Peace Operations Initiative (GPOI)*, which is a five-year program that began in FY 2005. GPOI is intended to enable countries to deploy to global peace support operations (PSOs) by addressing key gaps in their PSO capabilities. The program focuses on training and equipping 75,000 troops, with an emphasis in the Africa region; increasing the number of gendarme units deployable to PSOs; and, facilitating deployments by providing support such as transportation and field sustainment. The program incorporates the previously funded *African Contingency Operations Training and Assistance (ACOTA)* program, and the *Enhanced International Peacekeeping Capabilities (EIPC)*, previously funding under the Foreign Military Financing account.

The request includes \$21 million to continue the U.S. contribution to the *Multinational Force and Observers (MFO)* mission in the Sinai.

Finally, FY 2007 will be the first year of budgeted funding (\$16.750 million) for the *Trans-Sahara Counter-terrorism Initiative (TSCTI)*. Using existing resources, TSCTI began in FY 2005 as a multi-disciplinary initiative designed to counter terrorist threats in the region. PKO funds will develop and enhance counterterrorist capabilities of security forces in the region, including supporting activities that promote interoperability and facilitate coordination between the countries to counter common threats.

IV. Multilateral Economic Assistance

(\$ in thousands)	FY 2005 Actual	FY 2006 Estimate	FY 2007 Request
International Financial Institutions			
Global Environment Facility	106,640	79,200	56,250
International Development Association	843,200	940,500	950,000
Multilateral Investment Guarantee Agency	-	1,287	-
Asian Development Bank	-	-	23,750
Asian Development Fund	99,200	99,000	115,250
African Development Fund	105,152	134,343	135,700
African Development Bank	4,067	3,602	5,018
European Bank for Reconstruction and Development	35,148	1,006	-
Enterprise for the Americas Multilateral Investment Fund	10,912	1,724	25,000
Inter-American Investment Corporation	-	1,724	-
International Fund for Agricultural Development	14,880	14,850	18,000
Arrears	[10,912]	[5,453]	-
Total, International Financial Institutions	1,219,199	1,277,236	1,328,968
International Organizations and Programs	300,967	326,163	289,000
Total, Multilateral Economic Assistance	1,520,166	1,603,399	1,617,968

International Financial Institutions (IFIs)

International Financial Institutions (IFIs) provide loans, grants and investments in developing and transition economies and private sector enterprises in countries where risks are too high for private financing alone and where leverage is needed to encourage private financing. Bank policies and assistance programs reflect U.S. priorities in promoting growth, increasing productivity, and reducing poverty in developing countries.

The FY 2007 request for the IFIs is \$1.3 billion of scheduled annual commitments, including the initial scheduled commitments for the first replenishment of the Inter-American Development Bank's Enterprise for the Americas Multilateral Investment Fund (MIF) and the seventh replenishment of the International Fund for Agricultural Development (IFAD-7).

The FY 2007 request, through funding for the International Development Association (IDA) and the African Development Fund (AfDF), supports key international development priorities such as the landmark debt relief initiative, secured by the U.S. working with the UK and other key countries, that will end the destabilizing lend-and-forgive cycle of development assistance for the world's poorest and most heavily indebted countries, freeing up funds for more effective and measurable economic growth and poverty reduction programs.

Through U.S. leadership in the IFI replenishment negotiations, key policy reforms were initiated, reinforced and extended in the international financial institutions that will improve debt sustainability and increase grants, further measurable results, and increase transparency and fight corruption.

Debt sustainability frameworks adopted in IDA, AfDF, and IFAD will provide a significant increase in grant resources to the poorest countries. IDA will provide approximately 30% of its total resources to the world's poorest and debt vulnerable countries as grants, and the AfDF will raise the estimated grant share from about 20 percent to over one-third of available resources. The Asian Development Fund's eighth replenishment established, for the first time in the AsDF, a grant window where approximately 30 percent of assistance to the poorest countries will be in the form of grants.

Results measurement systems were expanded significantly through the IDA-14 and AfDF-10 replenishments and will be robust with the adoption of clear, measurable goals and targets and results-based management processes and standards.

Measures to improve transparency and efforts to fight corruption in countries, on bank projects, and in the institutions themselves were strengthened. The AfDB established a new anti-corruption and investigative unit, the IDB overhauled its procurement policies and practices to conform to best international practices, and AsDB significantly increased its in-country governance programs. In FY 2007, IDA will conduct an independent assessment of its internal controls framework.

International Organizations and Programs (IO&P)

The FY 2007 request of \$289 million for voluntarily funded International Organizations and Programs (IO&P) will advance U.S. strategic goals by supporting and enhancing international consultation and coordination. This approach is required in transnational areas such as protecting the ozone layer or safeguarding international air traffic, where solutions to problems can best be addressed globally. In other areas, such as in development programs, the United States can multiply the influence and effectiveness of its contributions through support for international programs.

The request includes \$123 million to support the core budget of the UN Children's Fund (UNICEF), which helps provide goods and services directly to the world's neediest children and contributes to the development of local institutional capacity to meet their basic needs. UNICEF's development work is closely coordinated with U.S. and international development agencies.

The request also includes \$94.5 million for the United Nations Development Program (UNDP), the primary development agency in the UN system. These funds will support UNDP's regular budget, which supports its core development goals, as well specific trust funds targeted in the areas of democratic governance and crisis prevention and recovery.

Nearly \$40 million of the FY 2007 request will support international environmental organizations and conservation programs, including \$19 million for the Montreal Protocol Multilateral Fund, which aims to combat ozone depletion.

The FY 2007 request also includes \$10 million to continue the expansion of the UN Democracy Fund. The purpose of the Fund is to provide support for programs that advance democracy on a wide range of fronts, including rule of law, independent courts, free press, political parties, civil society development, and trade unions. This U.S. Presidential initiative was established and initially funded from voluntary contributions in 2005. U.S. funding has spurred significant participation from a host of other nations, underscoring the growing trend of support for democracy and democratic values in all regions of the world.